

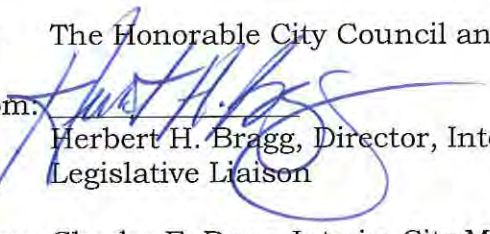
# **PART 1**

## **City of Hopewell 2018 General Assembly Legislative Priorities**



## *Interoffice Memorandum From the Office of Intergovernmental & Public Affairs*

To: The Honorable City Council and Legislative Committee

From:   
Herbert H. Bragg, Director, Intergovernmental & Public Affairs and  
Legislative Liaison

Thru: Charles E. Dane, Interim City Manager, City of Hopewell

Date: November 30, 2017

Re: Summary Listing of Proposed 2018 General Assembly Legislative Priorities

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Please find attached a summary listing of the Proposed 2018 General Assembly Legislative Priorities for the City of Hopewell as suggested by individual Council members, Hopewell Schools, City staff as well as Virginia Municipal League and Virginia First Cities.

1. Machinery & Tools/BPOL Tax. The City of Hopewell **OPPOSES** any attempt to eliminate or reduce the use of machinery and tools and BPOL taxes. The City of Hopewell delegation stands ready to work with the Virginia General Assembly, JLARC, VDEP and other to find solutions to this issue.
2. The City of Hopewell **SUPPORTS** full funding for K-12 education. It is essential that the state meet its constitutional responsibility to adequately fund K-12 education, including full funding of all state mandates from the General Assembly and updated to the Standards of Quality (SOQ) to reflect actual education costs. **COMMITTEE RECOMMENDATION: Approval**
3. The City of Hopewell **SUPPORTS** full funding for state aid to Local Police Department (HB599) to assist with fighting crime and criminal activity. **COMMITTEE RECOMMENDATION: Approval**
4. The City **SUPPORTS** full funding of all state mandates and **OPPOSES** any others that are not funded. **COMMITTEE RECOMMENDATION: Approval**
5. The City of Hopewell **SUPPORTS** Historic Rehabilitation Tax Credits. The federal and state historic preservation tax incentive and tax credit program encourages private sector investment in the rehabilitation and re-use of historic buildings. It creates jobs and is one of the nation's most successful and cost-effective community revitalization programs. It has been instrumental in several of the rehabilitations to buildings in Hopewell the past few years. The Beacon Theatre, Lucks Barber Shop, Saucy's, and Gun Cotton Coffee. **COMMITTEE RECOMMENDATION: Approval**

6. The City of Hopewell **SUPPORTS** changes in state assessment and accountability system for K-12 schools. In addition, (1) Revise state accountability Standards of Learning (SOL) system to better reflect skills students will need to be successful in the 21st Century global economy (2) Test administration flexibility and (3) Increase use of technology for SOL testing (resources needed). **COMMITTEE RECOMMENDATION: Approval**
7. The City of Hopewell **SUPPORTS** funding for high poverty school districts. Funding is critical to the following: (1) retaining qualified teachers (2) funding for wraparound services to support interagency programing for children and parents of poverty (3) funding to support literacy initiatives and (4) funding to support professional development activities for teachers and administrators in high poverty districts. **COMMITTEE RECOMMENDATION: Approval**
8. The City of Hopewell **SUPPORTS** the Chesapeake Bay Foundation \$50 million dollar funding request for the Stormwater Local Assistance Fund. **COMMITTEE RECOMMENDATION: Approval**
9. The City of Hopewell **SUPPORTS** continued funding of the Water Quality Improvement Fund to help municipalities further reduce nutrient discharges into State Waters. Hopewell Water Renewal facility recently completed a currently \$74 million nitrogen reduction project using 60% grant funding from the Water Quality Improvement Fund (WQIF). **COMMITTEE RECOMMENDATION: Approval**
10. The City of Hopewell **SUPPORTS** and endorse the Virginia First Cities Coalition DRAFT 2018 Legislative Agenda (see attached agenda). The Legislative Committee recommends priority be given to the following items:
  - A. Request additional 7½ Million for the Community Wealth Building/Employment For Temporary Assistance to Needy Families (TANF).
  - B. Protect HB 599 funds.
  - C. K-12 Education At-Risk Add-On and Master Teacher Residency Program.
  - D. Protect Historic Rehabilitation and Tax Credits.
  - E. Protect the Street Maintenance Program.
  - F. Protect and increase by \$5 Million Brownfield Redevelopment Assessment and Remediation Fund.



11. The City of Hopewell **SUPPORTS** and endorse the Virginia Municipal League 2017 Legislative Program (see attached program The Legislative Committee recommends priority be given to the following items:

- A. Protect HB 599 Funding.
- B. Education in Funding. VML opposes changes in methodology and changes in the division of financial responsibility that result in a shift of funding responsibility from the state to localities. Further VML opposes policies that lower state contributions but do nothing to address the cost of meeting the requirements of the Standards of Accreditation and Standards of Learning. Any approach to improving low-performing schools must include adequate state financial support.
- C. Communication Sales and Use Tax. VML support setting the tax rate at the same level as the state sales tax rate, and broadening the coverage of the tax to include audio and video streaming services and prepaid calling services.
- D. Stormwater Local Assistance Fund. VML support continued investment in the Stormwater Local assistance Fund to assist localities with much-needed stormwater projects to meet federal and state clean-water requirements.

**Note:** City Council adopted and or endorsed these legislative priorities on Tuesday, November 21, 2017 at its regular City Council meeting.

CED/hb

H:\City Council\Agenda\November 30, 2017\Legislative Priorities - 113017.mem.doc

CITY OF HOPEWELL \* 300 N. MAIN ST. \* HOPEWELL, VA 23860

# MEETING NOTICE

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## LEGISLATIVE COMMITTEE

The City of Hopewell Legislative Committee will hold a meeting on Tuesday, November 28, 2017 at 5:00 p.m. in the Second Floor Conference Room to brief our State delegation regarding our General Assembly Legislative Priorities for 2018.

**Municipal Building  
300 N Main Street  
2<sup>nd</sup> Floor Conference Room  
Hopewell, Virginia 23860**

Please contact Herbert Bragg, the Director, Intergovernmental and Public Affairs at 804-541-2270 if there are any questions.



## RESOLUTION

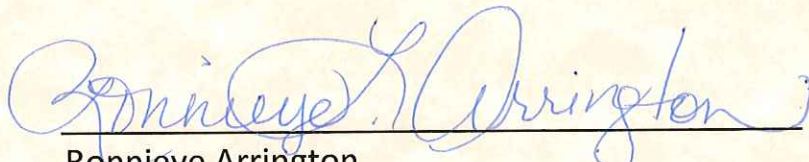
A resolution by the Council of the City of Hopewell to endorse, for the City of Hopewell, Virginia, legislative priorities set forth within the City's Draft 2018 State Legislative Agenda, and to request the Hopewell delegation to the General Assembly of Virginia to take legislative action consistent with and in vigorous support of such proposals.

**BE IT RESOLVED** by the City Council of Hopewell that this Council hereby endorses as priorities for the City of Hopewell the legislative proposals set forth in the City's 2018 State Legislative Agenda, a copy of which is attached to this resolution. The Council respectively requests that the Hopewell delegation to the General Assembly of Virginia take legislative action consistent with and in vigorous support of such proposals.

---oo0oo---

Given under my hand and the Corporate Seal of the City of Hopewell, Virginia this 21<sup>st</sup> day of November 2017, I do certify that the foregoing is a true and correct copy of a resolution of the City of Hopewell duly adopted on the 21<sup>st</sup> day of November 2017.



  
Ronnieye Arrington  
City Clerk

**BACKGROUND**

**ITEM # 1**

**MACHINERY & TOOLS**

**ITEM # 1 – MACHINERY & TOOLS**

TAXES ON CAPITAL, TO BE JUST, MUST BE UNIFORM.  
—THOMAS JEFFERSON

## HB 2104

**V**IOLATES VIRGINIA CONSTITUTIONAL PRINCIPAL OF UNIFORMITY

**O**BSOLESCENCE ALREADY TAKEN INTO ACCOUNT

**T**AXPAYERS ALREADY PERMITTED TO APPEAL

**E**VERY OTHER LOCAL TAX APPEALABLE FIRST TO ASSESSING OFFICER

**N**OT FAIR AND EQUITABLE

**O**RIGINAL COST PERCENTAGES WORK

MACHINERY AND TOOLS TAXATION: IT'S NOT BROKEN.  
—THE CITY OF HOPEWELL, VIRGINIA



## Herbert Bragg

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**From:** Debbie Reason  
**Sent:** Friday, January 27, 2017 8:48 AM  
**To:** Mark Haley  
**Cc:** Herbert Bragg  
**Subject:** FW: HB 2104 & HB 2447 \*\*\* ACTION CALL \*\*\* ACTION CALL \*\*\* ACTION CALL \*\*\*  
**Attachments:** HB2447 Revenue Impact.DOCX

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**From:** Johnson, Page [mailto:Page.Johnson@fairfaxva.gov]  
**Sent:** Thursday, January 26, 2017 3:54 PM  
**To:** 'all@vacomrev.com'  
**Subject:** HB 2104 & HB 2447 \*\*\* ACTION CALL \*\*\* ACTION CALL \*\*\* ACTION CALL \*\*\*

All –

Please contact your Delegate **immediately** and ask them to vote “**NO**” on **HB 2104** (Byron) and **HB 2447** (Marshall).

### **HB 2104 - Machinery and tools tax; valuation, appeal of certain local taxes:**

- 1) **Violates the principle of “uniformity”** in assessment methodology established in Article X Sect. 1 & 2, of Virginia Constitution – a) Permits the taxpayer to effectively choose the method of assessment on individual pieces of equipment; b) Same piece of equipment will be valued differently for different companies; c) a business can have equipment assessed by three different methods on property within the same assessment. (see lines 184 – 186).
- 2) **Expands the Commonwealth’s authority over local taxation** by limiting the authority and discretion of local officials, in particular based on valuation. The Virginia Department of Taxation nor the Tax Commissioner has the experience or expertise in evaluating Business Personal Property (BPP) or Machinery & Tools. (by the Tax Depts. est., \$100,000 in addtl. FTE). The valuation of BPP and M&T is **much more complex** than is real property.
- 3) **Is labor intensive.** Likewise, localities do not have the resources to institute this type of valuation methodology (est. \$10,000,000 local addtl. FTE).
- 4) **Is redundant** in many aspects – a) Local officials are already required to take into account technological obsolescence per section §58.1-3503; b) Taxpayers are already permitted to appeal to both the Tax Commissioner and Circuit Court. The bill will add an unnecessary layer of appeal.

#### **House Finance Committee Members:**

**Ware (Chairman), Cline (Vice Chair), Orrock, Byron, Cole, Hugo, Marshall, R.G., Pogge, Head, Farrell, Fariss, Fowler, Bloxom, Freitas, Holcomb, Watts, Keam, Filler-Corn, Kory, Sullivan, Murphy, Heretick**

### **HB2447 - Motor vehicles, local licensure; eliminates ability of a locality to assess local license fees:**

Two-hundred-thirty-seven (237) Virginia localities (34 cities, 85 counties, 118 towns) currently impose the Motor Vehicle License Tax (Source: Virginia Local Tax Rates 2015; Weldon Cooper Center for Public Service). The overall statewide impact is a **loss of more than \$200 million in revenues to localities** (Source: Auditor of Public Accounts, Commonwealth Data Point).

The bill, as drafted, **eliminates Commissioner of the Revenue and Treasurer access to “law enforcement databases” (i.e. DMV database).** (see lines 139-144).

#### **House Transportation Committee Members:**

**2017 SESSION****HB 2104 Machinery and tools tax; valuation, appeal of certain local taxes.**Introduced by: [Kathy J. Byron](#) | [all patrons](#) ... [notes](#) | [add to my profiles](#)**SUMMARY AS INTRODUCED:**

**Machinery and tools tax; valuation; appeal of certain local taxes.** Permits the commissioner of the revenue to utilize any method that may reasonably be expected to determine actual fair market value of machinery and tools, in addition to specific methods required under current law. The bill also requires the commissioner of the revenue, upon request, to take into account the condition of the machinery and tools, all forms of depreciation, including obsolescence, and any other factor that is not adequately taken into account by the valuation method otherwise used. The bill requires the commissioner of the revenue to provide to taxpayers upon request a description of his valuation methods, any adjustments that have been made to reflect the taxpayer's appraisal or written concerns, and the factual and legal bases on which the commissioner relies for disagreeing with the taxpayer's qualified appraisal. The bill also gives the Tax Commissioner authority to issue advisory written opinions in specific cases to interpret the law related to valuations involving independent appraisals of manufacturers' machinery and tools that are presented by the taxpayer to the commissioner of the revenue. In appeals to the Tax Commissioner of the valuation of machinery and tools, the bill permits the taxpayer to value the property by allocating the total value of all machinery and tools at a facility among individual items of property according to the percentage of the original cost that each such item of property bears to the total original cost of all of the property. The bill also requires the Tax Commissioner to make certain determinations and findings related to the appeal.

In appeals of tangible personal property tax on airplanes, boats, campers, recreational vehicles, and trailers and on tangible business personal property, the bill requires the commissioner of the revenue to identify any statement of fact submitted by the taxpayer that the commissioner of the revenue believes to be incorrect.

**FULL TEXT****01/10/17 House: Prefiled and ordered printed; offered 01/11/17 17101942D** [pdf](#) | [impact statement](#)**AMENDMENTS****House amendments****HISTORY****01/10/17 House: Prefiled and ordered printed; offered 01/11/17 17101942D****01/10/17 House: Referred to Committee on Finance****01/20/17 House: Assigned Finance sub: Subcommittee #1****01/25/17 House: Subcommittee recommends reporting (5-Y 2-N)****01/30/17 House: Reported from Finance with amendment (17-Y 5-N)****01/31/17 House: Read first time**

Please vote no, oppose HB 2104. I am the Commissioner of the Revenue for the City of Hopewell. We are a small city of 10.8 square miles with 42 machinery and tools accounts. Please understand there would be an increased number of appeals that could come from a different methodology. The proposed methodology would violate the principle of uniformity. The assessment would not be fair and equitable. A third party appraisal is not necessarily a strong legal base for fair market value. Appraisals done for the sole purpose of taxation would definitely be geared towards the interest of the taxpayer. I have seen first-hand two separate appraisals showing two different original cost's with the same acquisition number. Individual localities will face a loss with no monies to replace this deficit. Not only will the number of appeals increase, but the attorney fees, and interest owed by the locality will increase due to the increased timeframe of the appeals process to be completed. The increased attorney fees to the localities for the appeals alone could be distressing. Localities would have to hire additional staff knowledgeable of equipment as the assessed value could have three different methodologies for the same manufacturers. Commissioners of the Revenue will have to accept the figures as filed from the manufactures. Once again, please vote no to HB 2104.

**The language requested to be removed was not removed completely, if you look at line 175-178 the language states (1) "Determine whether the locality's method for valuing and assessing machinery and tools is likely to estimate accurately fair market value and whether the locality has taken into account all forms of depreciation, including obsolescence, and other appropriate factors reasonable necessary to determine fair market value".**



## **BACKGROUND**

### **ITEM # 2**

## **K-12 EDUCATION – FULL FUNDING FOR K12 EDUCATION**

### **ITEM # 2 – K-12 EDUCATION**


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Tags: K-12

Virginia's constitution designates the General Assembly as responsible for creating and maintaining a high quality, free education for students ("Funding Virginia's Schools in a Global Economy and in a Digital World," 2). As such, it must decide the amount of funding necessary to ensure a high-quality public education for students and also determine what the costs consist of and how to divide them between the state and its localities ("Funding Virginia's Schools in a Global Economy and in a Digital World" 6).

Appropriations from the general fund "serve as the mainstay of state support for the commonwealth's public schools, augmented by retail sales and use tax revenues, state lottery proceeds, and other sources" ("School Finance"). In addition, federal funding supports local and state education agencies in meeting the requirements of education-related federal mandates and initiatives ("School Finance"). Private companies provide supplemental support to Virginia local schools and school districts as well ("School Finance").

### Standards of quality

The definition of a high-quality public education is decided by the Virginia Board of Education, which prescribes Standards of

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- > Director's Experience Building Resiliency in Local Government Informs Graduate Certificate Programs at SPIA
- > Enterprise Risk Management: A Key to Organizational

Quality (SOQ) for Virginia schools on a biennial basis ("Funding Virginia's Schools in a Global Economy and in a Digital World" 6).

Once the standards have been established, only the General Assembly may change them ("Funding Virginia's Schools in a Global Economy and in a Digital World" 6).

SOQ funding is based on two factors ("Funding Virginia's Schools in a Global Economy and in a Digital World" 7). One, funding reflects the number of instructional positions required by quantified standards, including the number of enrolled students in the commonwealth and required staffing (*i.e.*, class size).

Second, funding levels consider the costs of meeting staffing requirements and also any other associated standards ("Funding Virginia's Schools in a Global Economy and in a Digital World" 7).

### **Composite index**

The average state share of recognized costs

[1] ("Funding Virginia's Schools in a Global Economy and in a Digital World" 7) for public education is 55 percent and the average local share is 45 percent. However, the actual local share varies based on a composite index prepared by the Virginia Department of Education, which depicts a locality's ability to pay [2] ("Funding Virginia's Schools in a Global Economy and in a Digital World" 8).

Each locality's composite index is based on local data that is then weighted statewide so that, on average, the local share is 45 percent [3] ("Funding Virginia's Schools in a Global Economy and in a Digital World" 7). The index also is capped for localities at a maximum of 80 percent. The index is based on three types of data: true value of property (weighted at 50 percent), adjusted gross income (including non-resident gross income, and weighted at 40 percent), and taxable retail sales at the local level (weighted at 10 percent) ("Funding Virginia's Schools in a Global Economy and in a Digital World" 8; "Composite Index of Local Ability to Pay").

### **Factors affecting SOQ funding levels**

#### **Resilience and Self-Defense**

- > America's Progress Hinges on Resilient Public Universities
- > Financial Resilience: What it Means to the Local Government Manager

#### **Categories**

- > Economic and Community Development
- > Education
- > Environment
- > Featured
- > Governance & Public Finance
- > Infrastructure



Support for meeting the state's SOQ comprises about 90 percent of all direct aid for education in Virginia ("Funding Virginia's Schools in a Global Economy and in a Digital World" 12) and funding levels vary based on projected changes in need and costs. For example, 2012-2014 funding reflected anticipated increases in class enrollments, instructional salaries, inflation, restoring textbooks, health care costs, and free lunch eligibility. As a result, SOQ funding benchmarks are recalculated periodically to ensure funding is in line with changing circumstances in Virginia communities, regionally, and statewide ("Funding Virginia's Schools in a Global Economy and in a Digital World" 13, 18).

There are several issues on the horizon that may affect the commonwealth's K-12 education funding during the next few budget cycles:

- The ever-emerging issue of technology, specifically online learning, and its potentially transformative effects on public education ("Funding Virginia's Schools in a Global Economy and in a Digital World" 22);
- Nationwide discussions about the new common core standards for education [4] ("Virginia and the Common Core Standards") that several states have adopted;
- Consideration of alternative models of federal accountability that would qualify Virginia for waivers in regard to the federal No Child Left Behind law ("Funding Virginia's Schools in a Global Economy and in a Digital World" 22);
- The percentage of Virginia expenditures that support classroom learning versus other costs of learning at the local level ("Funding Virginia's Schools in a Global Economy and in a Digital World" 22);
- Recruitment and retention of teachers, in addition to evaluation and performance pay ("Funding Virginia's Schools in a Global Economy and in a Digital World" 22);

- The continuing focus on education in support of science, technology, engineering, and math (STEM) subjects ("Funding Virginia's Schools in a Global Economy and in a Digital World" 22); and
- Early childhood education and third-grade reading progress ("Funding Virginia's Schools in a Global Economy and in a Digital World" 22), which have been shown to be key determinants in student success and in turn, school success.

The commonwealth's 2013 annual report on the condition and needs of public schools in Virginia, published by the Virginia Board of Education for submission to the governor and General Assembly, also echoes several of these concerns, including closing achievement gaps that persist among groups of Virginia students, providing support for schools that are chronically underperforming, and ensuring the professionalism of the educational profession ("2013 Annual Report on the Condition and Needs of Public Schools in Virginia" 20).

Other emerging issues may affect educational funding policy in Virginia. For example, a June 2014 ruling by a Norfolk circuit court judge determined that legislation creating the Opportunity Educational Institution (OEI), which was to operate schools designated as low-performing, was unconstitutional ("Takeover of low-performing schools ruled unconstitutional"). As Laura Fornash and Javaid Siddiqi discuss in their accompanying article, "Supporting Underperforming Schools in Virginia", this decision may have implications for ensuring that these schools are able to meet SOQ requirements and offer students a high-quality public education.

Additionally, as Paul Manna, Jack Cooper, and Elizabeth Pelletier note in their article, "Financing K-12 Education in Virginia", ensuring equity has emerged as a challenge facing school districts in the aftermath of the recent economic recession and has taken center stage in recent court cases. As the authors

discuss, funding policies at the state level may affect the quality of education students receive.

### Footnotes

1. State model seeks to recognize reasonable costs (that is, prevailing costs) of what most schools spend with a few adjustments.
2. Also see the composite index spreadsheet prepared by the Department of Education  
at [http://www.doe.virginia.gov/school\\_finance/budget/compositeindex\\_local\\_abilitypay/index.shtml](http://www.doe.virginia.gov/school_finance/budget/compositeindex_local_abilitypay/index.shtml).
3. A key exception to this is the distribution of sales tax based only on school-age population. Not equalized through the composite index.
4. Virginia has not adopted the common core standards, although they mirror the commonwealth's educational standards. Virginia was part of the committee that developed the common core standards.

### Works Cited:

- "Annual Report on the Condition and Needs of Public Schools in Virginia." Virginia Board of Education, Nov. 2013. Web. 17 Jul. 2014.
- "Composite Index of Local Ability to Pay." Virginia Department of Education, Budget and Grants Management, n.d. Web. 17 Jul. 2014.
- "Funding Virginia's Schools in a Global Economy and in a Digital World." Senate of Virginia, Senate Finance Committee, 18 Nov. 2011. Web. 17 Jul. 2014.
- "School Finance." Virginia Department of Education, n.d. Web. 17 Jul. 2014.
- "Takeover of low-performing schools ruled unconstitutional: JLARC suggests repeal, but for policy reasons." Virginia Municipal League News, 13 Jun. 2014. Web. 17 Jul. 2014.
- "Virginia and the Common Core Standards." School Improvement Network, 21 Nov. 2011. Web. 17 Jul. 2014.



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## **BACKGROUND**

### **ITEM # 3**

## **HB 599 FUNDING – HISTORY OF STATE AID TO LOCAL POLICE DEPARTMENTS**

### **ITEM # 3 – HB 599 FUNDING**

Visit the [Help Center](#) to learn more about the features of the State Budget Portal.

## VIRGINIA STATE BUDGET

2016 Session

### Budget Amendments - HB30 (Member Request)

By Member » Item 400 #2h

Chief Patron: Ingram

Additional HB 599 Funding

Item 400 #2h	First Year - FY2017	Second Year - FY2018	
<b>Public Safety and Homeland Security</b>			
Department of Criminal Justice Services	\$20,000,000	\$20,000,000	GF

#### Language

Page 340, line 43, strike "\$179,136,938" and insert "\$199,136,938".

Page 340, line 43, strike "\$179,136,938" and insert "\$199,136,938".

#### Explanation

(This amendment restores over the biennium the funding for certified local police departments at the pre-Great Recession level. The 599 programs provides state funding assistance to 38 cities, 9 counties, and 128 towns representing just under 70 percent of all Virginians. The General Assembly enacted the program as a means to help cities no longer allowed to annex as well as to equalize state support between localities with police departments and those depending on sheriffs' offices for general law enforcement. The amounts requested will restore funding to the pre-recession fiscal year 2008 levels of \$215 million per year. Since the program's beginning in the late 1970s, state appropriations have often been cut or level-funded despite the statutory funding formula to tie appropriations to the growth of the state general fund. Under the statutory formula, total annual appropriations would approach \$300 million per year.)



**BACKGROUND**

**ITEM # 4- STATE MANDATES**

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**ITEM # 4 – STATE MANDATES –PAGE LEFT BLANK**



**BACKGROUND**

**ITEM # 5**

**HISTORIC REHABILITATION TAX CREDITS**

**ITEM # 5**

**HISTORIC REHABILITATION TAX CREDITS**



## Virginia Department of Historic Resources



**DHR** | Virginia Department of Historic Resources

(<https://www.dhr.virginia.gov/>)



(<https://www.facebook.com/VADHR/>)

Home (<http://www.dhr.virginia.gov/>) > Tax Credits

([http://www.dhr.virginia.gov/tax\\_credits/tax\\_credit.htm](http://www.dhr.virginia.gov/tax_credits/tax_credit.htm)) > FAQs

## Rehabilitation Tax Credits Frequently Asked Questions

Click on a question below to go to the answer:

- [What are the rehabilitation tax credits?](#)
- [What buildings qualify for the tax credit program?](#)
- [What work qualifies for the credits?](#)
- [How much money do I have to spend?](#)
- [How long do I have to complete the rehabilitation?](#)
- [My project has taken longer than I expected, and although I have spent more than my adjusted basis in the building, I have not spent it within a 24-month period. Can I decide to phase my project in order to take advantage of the 60-month measuring period?](#)
- [If my building is in a historic district that is not yet listed, can I start my rehabilitation anyway?](#)
- [When can I claim the credit?](#)
- [Can I sell the building after I complete the rehabilitation?](#)
- [Can I sell the tax credits?](#)
- [How can a nonprofit organization take advantage of the tax credits?](#)
- [How do I apply for the credit?](#)
- [What are the standards for photographic documentation for the application?](#)
- [What should I photograph?](#)
- [I began rehabilitating a historic building last year, but I have just learned about this program. Can I still qualify for the credits?](#)

### Important Links for Tax Credits Information

[Tax Credits Homepage](#)

([http://www.dhr.virginia.gov/tax\\_credits/tax\\_credit.htm](http://www.dhr.virginia.gov/tax_credits/tax_credit.htm))

[Forms \(tax\\_credit\\_forms.htm\)](#)

[FAQs About Tax Credits](#)

([tax\\_credit\\_faq.htm](#))

[Va. Tax Credit Regs. Revised \(PDF\)](#)

([New%20Final%20Regs.pdf](#))

[Sample Description of Rehab. Proposal](#)

([http://www.dhr.virginia.gov/pdf\\_files/SampleTaxCreditProposal.PDF](http://www.dhr.virginia.gov/pdf_files/SampleTaxCreditProposal.PDF))

[Selected VLR/NR Historic District Maps](#)

([http://www.dhr.virginia.gov/tax\\_credits/historic\\_district\\_maps\\_list.htm](http://www.dhr.virginia.gov/tax_credits/historic_district_maps_list.htm))

[Preservation Briefs, Tech Reports](#)

([../homepage\\_features/publications.htm#Preservation Briefs](#))

- [How do I claim the credit?](#)
- [What is the 10% credit?](#)
- [Where can I find the regulations governing these programs?](#)
- [How can I get additional information?](#)

### **What are the rehabilitation tax credits?**

Rehabilitation Tax Credits are dollar-for-dollar reductions in income tax liability for taxpayers who rehabilitate historic buildings. Credits are available from both the federal government and the State of Virginia.

The amount of the credit is based on total rehabilitation costs. The federal credit is 20% of eligible rehabilitation expenses. The state credit is 25% of eligible rehabilitation expenses. In some cases, taxpayers can qualify under both programs, allowing them to claim credits of 45% of their eligible rehabilitation expenses.

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### **What buildings qualify for the tax credit program?**

The credits described above are available only for Certified Historic Structures, defined as follows.

Under the federal program, a certified historic structure is one that is either:

- Listed individually on the National Register of Historic Places, or
- Certified as "contributing" to a district that is so listed.

Under the state program, a certified historic structure is one that is:

- Individually listed on the Virginia Landmarks Register, or
- Certified as eligible for listing, or
- Certified as a contributing structure in a district that is so listed.

With a few exceptions, a Virginia property that is listed on one of these registers is listed on the other. Please note, however, that historic districts listed in the national and Virginia registers may be different from locally designated historic districts. Certification that a building contributes to a listed district (or for purposes of the state credit is *eligible* for individual listing) is obtained only by submitting Part 1 of the tax credit application.

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### **What work qualifies for the credits?**

The rehabilitation work for the entire project must meet *The Secretary of the Interior's Standards for Rehabilitation*. (<http://www.nps.gov/tps/standards/rehabilitation.htm>) If the project does not meet these standards, no part of the credit may be claimed. If the work is certified as meeting these standards, the credit is based on all eligible expenses.

Technically speaking, eligible expenses include any work that is properly chargeable to a building's capital account in connection with a certified rehabilitation. Essentially, this means that all work done to structural components of the building will be eligible, as well as certain soft costs such as architectural and engineering fees, construction

period interest and taxes, construction management costs, and reasonable developer fees. Expenses related to new heating, plumbing and electrical systems are eligible, as well as expenses related to updating kitchens and bathrooms, compliance with ADA, and fire suppression systems and fire escapes. Acquisition costs, however, and any expenses attributable to additions or enlargements of the building, are not eligible. Under the federal program, site work and landscaping elements are not eligible expenses. Under the state program, certain site work may be eligible.

[Back to top](#)

### **How much money do I have to spend?**

Under the federal program, the project must be a "substantial rehabilitation" to qualify the investor for the credit. The Internal Revenue Service defines "substantial" as exceeding the owner's adjusted basis in the building, or \$5,000, whichever is greater. The adjusted basis is generally defined as the purchase price, minus the value of the land, minus any depreciation already claimed, plus the value of any earlier capital improvements.

The threshold requirements for the state program are different from the federal requirements. In order to qualify for the state credit, the rehabilitation expenses must be:

- For owner-occupied structures, at least 25% of the assessed value of the buildings for local real estate tax purposes for the year before the rehabilitation work began.
- For all other eligible structures, at least 50% of the assessed value of the buildings for local real estate tax purposes for the year before the rehabilitation work began

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### **How long do I have to complete the rehabilitation?**

The rehabilitation does not have to be completed within any particular period of time. However, the "substantial rehabilitation" test (for the federal program) and the "material rehabilitation" test (for the state program) must be met within a consecutive 24-month period that ends some time during the year in which the credits are claimed. Essentially, this means that for most projects the greatest expenditures must be made within a 2-year period. For phased projects, the time limit is extended to 60 months.

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**My project has taken longer than I expected, and although I have spent more than my adjusted basis in the building, I have not spent it within a 24-month period. Can I decide to phase my project in order to take advantage of the 60-month measuring period?**

No. In order to use the 60-month measuring period for a phased project, the taxpayer must phase the project from the beginning. This means that a phasing plan, showing what work will be completed during each phase of the project, must be submitted before work begins. For some projects, it may be a good idea to submit a phasing plan at the start of the project, even if there is a possibility the project can be

completed within two years. This will "hold open" the 60-month time period, but does not obligate the taxpayer to take that long to complete the project.

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**If my building is in a historic district that is not yet listed, can I start my rehabilitation anyway?**

Yes, but you do so at the risk that for some reason the district will not be listed. Generally speaking, it is a good idea to wait until the listing process is at least well underway and appears to be on track before doing any substantial work. You will not be eligible to claim the credit until the district is actually listed. If you complete your project before the district is listed, you will not be able to claim the credit at all unless the listing is completed within a year after your completion date.

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**When can I claim the credit?**

The credit is claimed in the year the rehabilitation is completed. If you cannot use up the full amount of the credit in the first year, it can be carried forward. The federal credit may be carried forward for up to twenty years, and back for one year. The state credit may be carried forward for up to ten years. There is no carryback for the state credit.

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**Can I sell the building after I complete the rehabilitation?**

Under the federal program, if the building is disposed of, or if it loses its income-producing status, within five years after the rehabilitation is completed, the taxpayer will face recapture of the credit. The amount of recapture is reduced by 20% in each succeeding year after the year the rehabilitation is completed – in other words, if the building is sold after one year, there will be recapture of 80% of the credit, if it is sold after two years, there will be recapture of 60% of the credit, and so forth. In addition, the National Park Service reserves the right to inspect a rehabilitated property any time during the five-year period, and to revoke certification if work was not undertaken as presented in the application, or if further unapproved alterations have been made.

Under the state program there is no continuing ownership requirement following completion of the rehabilitation.

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**Can I sell the tax credits?**

Technically speaking, no. Credits may be syndicated through the use of limited partnerships, but they may not be directly sold. Syndication is a common tool for bringing investors into a rehabilitation project, but must be carefully thought out at the beginning of the project. Federal credits must be allocated according to percentage of ownership. The state credit, however, may be allocated by agreement among



partners.

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#### **How can a nonprofit organization take advantage of the tax credits?**

By taking on taxpayers under a limited partnership arrangement and maintaining a minority ownership interest as a general partner, many nonprofit organizations have been able to use the tax credits to their advantage.

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#### **How do I apply for the credit?**

Applying for the credit is a three-part process. Part 1 requests certification that the building is historic – e.g. eligible for the program. A Part 1 application is required for all properties except in cases where the property contains only a single building and that building is individually listed on the National Register and the Virginia Landmarks Register. For all other properties – i.e. individually listed properties with more than one building, properties seeking certification that they are contributing structures in a listed historic district, or properties that are individually eligible for listing – a Part 1 is required. Photographs showing the property in its pre-rehabilitation state, along with a photo of each outbuilding or secondary resource, must be submitted with Part 1.

Part 2 requests certification that the proposed rehabilitation work appears to be consistent with the Secretary's Standards. Part 2 is the most complex part of the application. It requires a description of each significant architectural feature of the property and how it will be treated in the rehabilitation. Many property owners choose to complete Part 2 themselves using the Department's [Sample Rehabilitation Proposal \(../pdf\\_files/SampleTaxCreditProposal.PDF\)](#) as a guide. Others hire a professional consultant to assist them. A list of consultants is available from the Department upon request. Additional photographs of the property are sometimes necessary to document Part 2.

Part 3 requests certification that the completed work is consistent with the Secretary's Standards. Photographs showing the completed work must accompany Part 3. For the state credit, if the eligible expenses exceed \$100,000, a CPA certification is also required.

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#### **What are the standards for photographic documentation for the application?**

The size and clarity of the photographic images must adequately document the before and after conditions of the building. 24 to 36 photographs are generally sufficient for the average project. However, it is better to have more photographs than to have too few. Photos need to be in color, at least 4" x 6", and good quality resolution. If photographs are judged to be insufficient, the reviewer may place your application on hold and request additional photographs, which could delay your project's progress.

As noted in the application, photographs must be labeled with the following information: building name and/or address, view (e.g., north side), and description (e.g., plaster damage in dining room, north wall). Photographs must be numbered and

**How can I get additional information?**

For additional information on the federal program, check out the *National Park Service's website* (<http://www.nps.gov/tps/tax-incentives.htm>).

To speak to a DHR tax credit staff member or to make an appointment, please call (804) 367-2323.

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Updated: 12.8.16

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[\(https://www.dhr.virginia.gov/\)](https://www.dhr.virginia.gov/)

**Virginia Department of Historic Resources**  
2801 Kensington Avenue, Richmond, VA 23221  
Phone: (804) 482-6446 or (804) 367-2323

keyed to the description of proposed work.

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### **What should I photograph?**

For most buildings, the following features should be photographed in order to allow for proper evaluation:

- Site and surrounding environment. Streetscape photographs are recommended for urban buildings.
- All exterior elevations. Where elevations are partially blocked by adjacent buildings or trees, it may be necessary to take several photographs from different angles to show the whole elevation.
- Typical exterior features: siding, window sash, foundations, roofing, shutters.
- Details of deteriorated exterior features: peeling paint, failed mortar joints, deteriorated sash.
- Exterior areas where major rehabilitation work is proposed.
- Outbuildings: garages, barns, dependencies.
- Major interior spaces: hallways, stairways, parlors, and principle rooms. Wide-angle photographs are strongly recommended.
- Typical interior spaces, including all areas to be affected by the rehabilitation.
- Major interior features: staircases, mantelpieces, woodwork, etc.
- Representative interior finishes: peeling paint, failed plaster, rotten woodwork, previously altered features.
- Interior areas where major rehabilitation work is proposed.

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### **I began rehabilitating a historic building last year, but I have just learned about this program. Can I still qualify for the credits?**

Possibly. It is much more difficult to qualify for the credits if you don't submit Parts 1 and 2 before beginning work, but in some cases it may be possible. You must have good photographs showing the building before the rehabilitation work began, as described in the preceding question. If you do not have this documentation, you probably cannot qualify for the credits. Additionally, the work which you have already completed must meet the *Secretary's Standards*.

If you have already completed your rehabilitation work, and your building is not individually listed on the National Register, you cannot qualify for the federal credit. The IRS has taken a strong position that if the Part 1 has not been submitted before the building is placed in service, it is not a certified historic building and the credit is not available. Failure to submit the Part 1 before completing work is not necessarily fatal to the state credit, provided that all other requirements of the program are met. However, the deadline for application for the state credit is one year after your completion date. You must submit a complete, fully documented application by this date in order to qualify for the state credit.

See this [advisory \(...pdf files/Projects%20Already%20Started.pdf\)](#) on projects already started.

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**How do I claim the credit?**

The federal credit is claimed on IRS Form 3468. The IRS requires information related to the substantial rehabilitation test and a copy of the certification of the completed work by the Secretary of the Interior. To claim the state credit, the taxpayer must complete the state Schedule CR and attach a copy of the certification of the completed work by the Department of Historic Resources.

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**What is the 10% credit?**

The federal government allows a 10% rehabilitation tax credit for buildings which were constructed before 1936, but are not certified historic structures. If the building is listed on the National Register it is automatically a certified historic structure, and is not eligible for the 10% credit. If it is located within a listed historic district, it is eligible for the 10% credit only if it is certified (through the submission of a Part 1) as not contributing to the district. The building must also meet the following conditions:

- Is used for non-residential rental purposes;
- Has not been physically moved; and
- Meets the external and internal wall retention tests set forth under federal regulations.

Property owners are not required to follow the Secretary's Standards in order to claim the 10% credit.

There is no corresponding state credit for rehabilitation of buildings that are not certified historic structures.

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**Where can I find the regulations governing these programs?**

The federal regulations governing the National Park Service's review of tax credit applications are found at 36 CFR 67 ([http://www.access.gpo.gov/nara/cfr/waisidx\\_00/36cfr67\\_00.html](http://www.access.gpo.gov/nara/cfr/waisidx_00/36cfr67_00.html)). The regulations governing the use of the tax credit itself (the IRS regulations) are found at 26 CFR 1.48-12 (<http://www.gpo.gov/fdsys/granule/CFR-2001-title26-vol1/CFR-2001-title26-vol1-sec1-48-12/content-detail.html>).

The Virginia legislation authorizing the state tax credit is found at Virginia Code §58.1-339.2 (<http://law.lis.virginia.gov/vacode/title58.1/chapter3/section58.1-339.2/>).

Please Note: Effective February 10, 2016 changes were implemented to the Rehabilitation Tax Credit Regulations. Amendments and clarification of the existing program regulations are necessary to--

- Enhance the ease of use for program applicants;
- More clearly set out the application requirements and standards of review for both applicants and DHR staff; and
- Establish stricter reporting requirements to ensure the integrity of financial data.

Additionally, the amendments revised the existing fee structure to more accurately reflect the time and professional expertise necessary for DHR's review of projects.

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## **PART 2**

# **City of Hopewell 2018 General Assembly Legislative Priorities**

## **BACKGROUND**

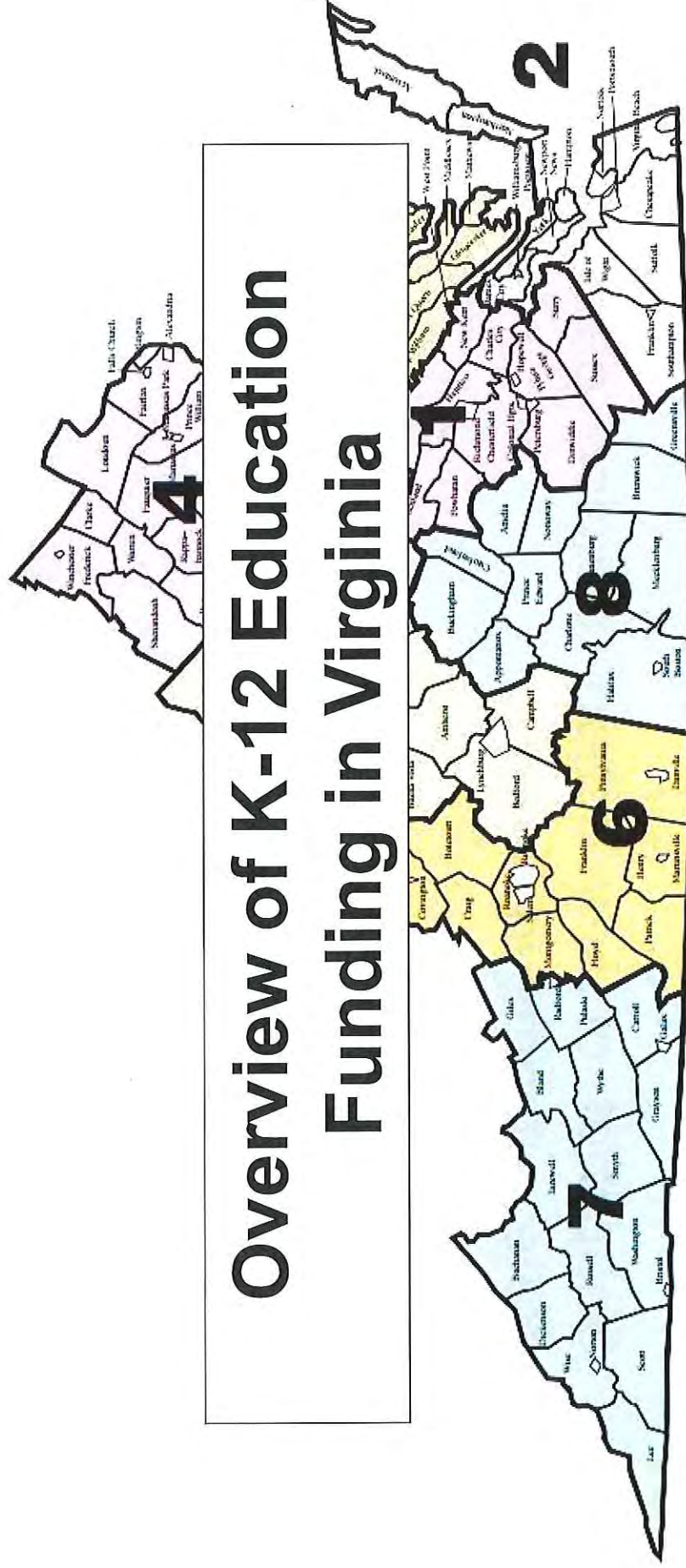
### **ITEM # 6 & 7 K-12 EDUCATION AND FUNDING FOR HIGH POVERTY SCHOOL DISTRICTS**

### **ITEM # 6 & 7 – K 12-EDUCATION AND FUND FOR HIGH POVERTY SCHOOL DISTRICTS**



# SENATE OF VIRGINIA

## Senate Finance Committee



Map of VDOE Superintendent's Regions

November 20, 2015



SENATE FINANCE COMMITTEE

# Overview

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- Snapshot of key school division data and state outcome indicators
- Funding framework pursuant to Virginia's Constitution
- Trends over last ten years
- Recent actions and looking to 2016-18 biennial budget and beyond





# What does the “average” school division in Virginia look like?



2014 Data



SENATE FINANCE COMMITTEE



## There is no “average” Virginia school division

KEY SCHOOL DIVISION DATA *	Average	Division Average	Division Median	Lowest	Highest
Number of Students (ADM Enrollment)		9,319	3,786	190 (Highland)	179,387 (Fairfax)
Per Pupil (PP), All Sources	\$11,242	\$10,865	\$10,387	\$8,591 (King George)	\$19,400 (Arlington)
Average Teacher Salary	\$53,830	\$47,856	\$47,457	\$37,245 (Grayson)	\$73,846 (Arlington)
% of Spending Above Required Local Effort	85%	84%	77%	9% (Tazewell)	221% (Sussex)
Composite Index of Local Ability-to-Pay	0.4500	.3969	.3600	0.1826 (Lee)	0.8000 (9 capped)
Student-Teacher Ratio (Not the same as actual class size)	12.9	12.1	12.1	7.3 (Highland)	16.5 (Prince Wm.)
Dropout Rate	5.4%	5.6%	5.4%	0.0% (Clarke, W. Point)	14.9% (Rockbridge)
Students Eligible for Free/Reduced Lunch	41%	50%	51%	10% (Falls Church)	83% (Petersburg)
Below Min. Benchmark for Phonological Awareness (Fall of Kindergarten)	9%	14%	13%	0% (Highland)	33% (Covington)

\*See Appendix for these same data points for ALL 132 SCHOOL DIVISIONS.





# Virginia Compares Favorably to Other 50 States on Key Outcomes Measures, But Gaps Remain

Education Indicators (ordered so that #1 is understood to be best)						
	1-10	11-20	21-30	31-40	41-50	
<u>Virginia Performs (Council on Virginia's Future Initiative, Updated June 29, 2015)</u>						
4 <sup>th</sup> Grade Reading	6 <sup>th</sup>					
4 <sup>th</sup> Grade Math		12 <sup>th</sup>				
High School Graduation		20 <sup>th</sup>				
High School Dropout	5 <sup>th</sup>					
College Grad (Bachelor's)	8 <sup>th</sup>					
College Grad (Associate's)			23 <sup>rd</sup>			
% of Adults w/ High School Completion			28 <sup>th</sup>			
% of Adults w/ Bachelor's Degree or Better	6 <sup>th</sup>					
<u>Quality Counts 2015 (Education Week national education newspaper), Selected Indicators</u>						
K-12 Achievement Index	10 <sup>th</sup>					
8 <sup>th</sup> Grade Reading			22 <sup>nd</sup>			
Math 8 <sup>th</sup> Grade Poverty Gap				39 <sup>th</sup>		
High Advanced Placement Test Scores	2 <sup>nd</sup>					



# Virginia's Constitution Tasks the General Assembly With Determining Education Costs and Shares

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- Pursuant to the Constitution of Virginia, public education is a shared responsibility of the state and localities.
  - Article VIII, Sections 1 and 2:
    - The General Assembly has responsibility to provide a system of free public schools for all children and to ensure that an educational program of high quality is established and continually maintained.
    - The State Board of Education must prescribe the Standards of Quality (SOQ) for the school divisions, subject to revision only by the General Assembly.
    - The General Assembly decides what the costs are and how they will be shared between the state and localities.







# Funding Framework



Based on the number of students enrolled by school by grade.

## Staffing 1

How many positions are needed to meet quantified minimum standards?

## 2

### Cost

What is the cost of meeting the staffing requirements and associated costs?

## 3

### Shares

How are costs shared between the state and localities?

Of the recognized costs, average state share is 55 percent, based on the Composite Index.

A key exception is the distribution of sales tax based only on school-aged population (NOT equalized through Composite Index).

Since spending in part reflects local decisions, rather than simply reimburse spending, the model is intended to recognize reasonable costs based on what most school divisions spend, **with some adjustments.**





# Funded Minimum Staffing

## SOQ Funds Less Than 70% of Actual Reported Positions

Basic Instructional Standards in Standard 2 of the Standards of Quality Funded through SOQ Basic Aid						
Grade	Maximum Class Sizes & Schoolwide/Divisionwide Ratios			School-Level Positions Staffing		
	Maximum Class Sizes	Pupil-Teacher Ratio	Divisionwide Pupil-Teacher Ratio	Divisionwide English Teacher Ratio	Guidance Counselor	Librarian
K	24; 29 w/aide					
1	30		24 to 1			
2	30					
3	30					
4	35					
5	35		25 to 1			
6	35					
7	35					
8		21 to 1				
9						
10						
11						
12						

\*Funding for Basic Instructional Standards includes a minimum floor number of positions of 51 per 1,000 students.

### Other funded divisionwide SOQ standards:

- 5.0 elementary resource teachers in art, music, and physical education per 1,000 students in grades kindergarten through 5.
- 1.0 technology support position and 1.0 instructional technology position per 1,000 students in grades kindergarten through 12.

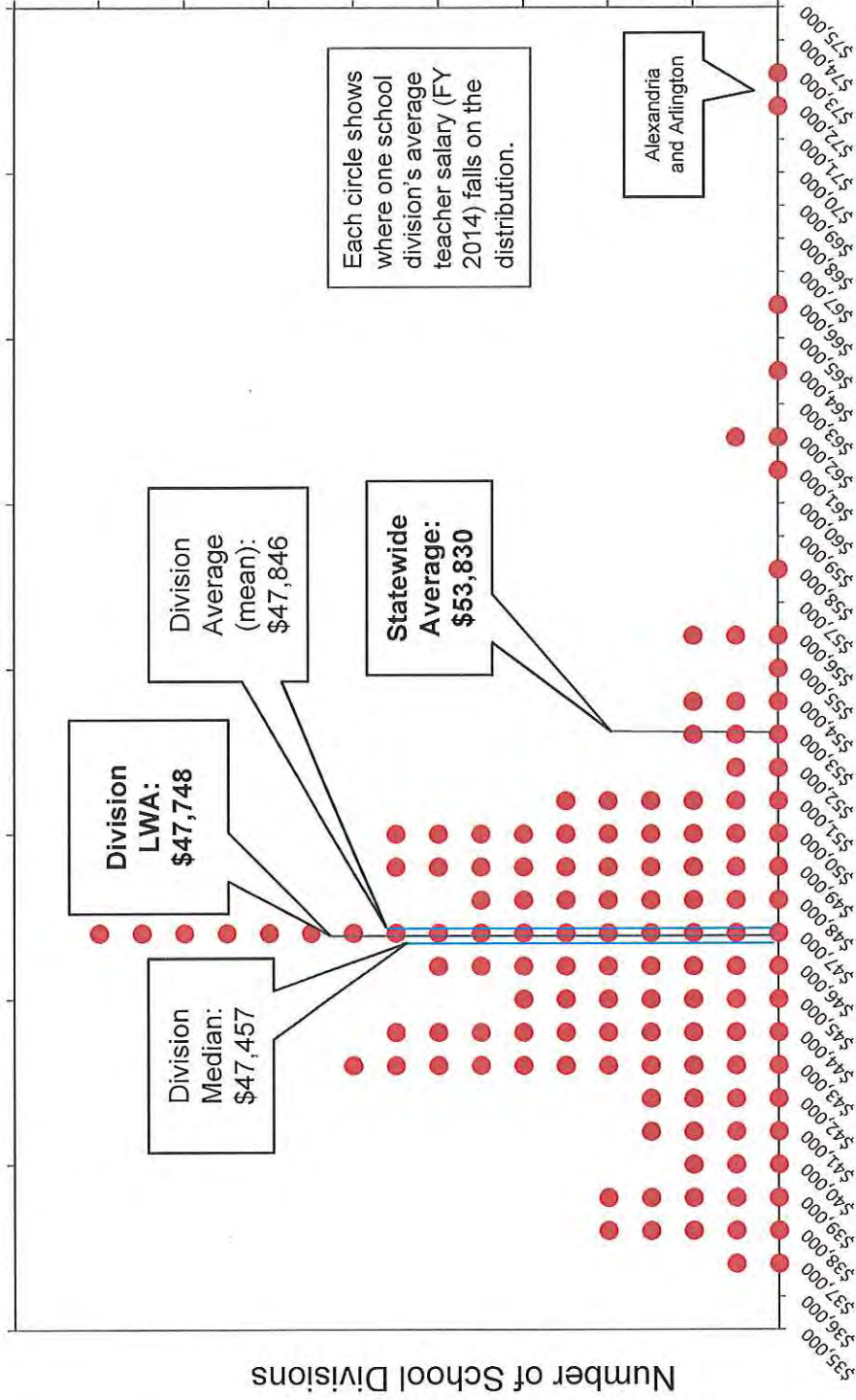






# Prevailing Cost: Level Around Which Most Tend to Cluster

- Since the mid-1980s, the SOQ funding framework has relied on a Linear Weighted Average (LWA), with the division as the unit of analysis, as the best measure of “expenditure levels around which most school divisions tend to cluster.”





# Components of the Composite Index of Local Ability-to-Pay

<b>Tax Year 2011</b> (for 2014-16 LCI)	<b>Statewide</b>	<b>Per Capita</b> Weighted One-Third	<b>Per Student</b> Weighted Two-Thirds
<b>True Value of Property</b> Weighted 50%	\$1.05 trillion	\$129,452	\$862,388
<b>Adjusted Gross Income</b> (including non-resident) Weighted 40%	\$231.7 billion	\$28,617	\$190,645
<b>Taxable Sales</b> Weighted 10%	\$89.0 billion	\$10,997	\$73,257





# 91% of Direct Aid Funds SOQ Accounts

- As more programs have been funded with Lottery Proceeds, the distinctions between the categories has become less meaningful.

State Direct Aid to Public Education	FY 2016 (\$ in millions)
<b>Standards of Quality (SOQ) Accounts</b>	
Basic Aid (\$3.1B), Sales Tax (\$1.3B), Textbooks (\$21.9M), CTE/Gifted/Special Ed/ Intervention, VRS/Social Security/Group Life, Remedial Summer School	\$5,573.4
<b>Lottery Proceeds-Funded Accounts (SOQ and Incentive)</b>	
SOQ Textbooks (\$44.9M), ESL (\$50.8M); Regional Special and Alt. Ed, K-3 Class Size, Preschool, At-Risk, Algebra Readiness, Early Intervention Reading, Project Graduation, CTE Equipment, School Breakfast	\$531.7
<b>Other Incentive Accounts (generally optional to locals with required match)</b>	
Compensation Supplement (\$52.4M), Governor's Schools (\$16.1M), Math/Reading Instructional Specialist, Special Ed, School Breakfast	\$74.8
<b>Categorical Accounts (generally required by federal or state law)</b>	
Special Ed State Operated Programs (\$33.7M), Adult Ed, School Lunch, Virtual Virginia	\$56.9
<b>Supplemental Accounts (generally not distributed to school divisions)</b>	
Extended School Year Grants (\$7.8M), National Board Certification Bonuses (\$5.9M), Teaching Scholarships, Teach for America, Communities in Schools, Project Discovery, Jobs for Virginia Graduates, CTE Resource Center, GRASP, Regional Consortia	\$22.5
	<b>\$6,259.3</b>





# 2016-18 Re-benchmarking

- Re-benchmarking is the formula-driven cost adjustment to meet the SOQ minimum staffing requirements and related support services and updates, from FY 2012 to FY 2014 base year actual data, to the Direct Aid accounts.
- The partial estimate of \$387.8 million (as of September) has since been updated to \$477.1 million, with some remaining data to be updated prior to the introduced budget.

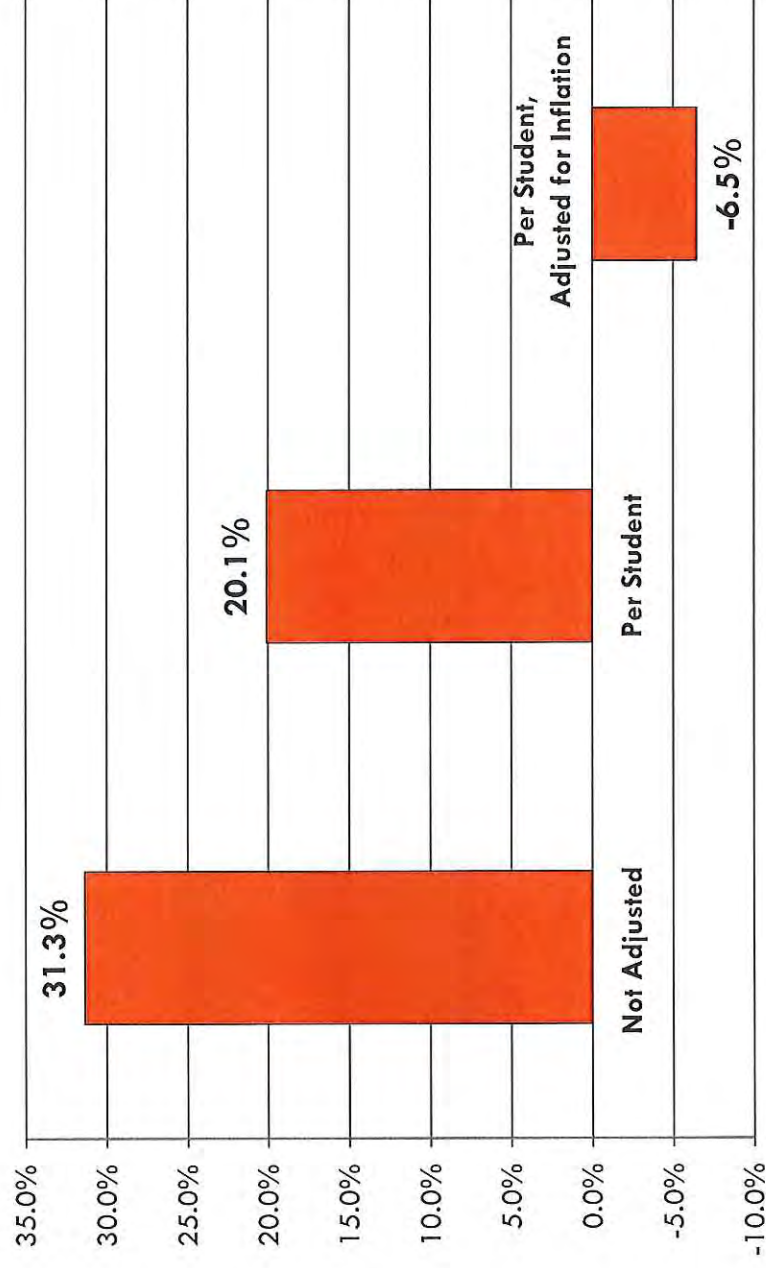
\$ in millions	Direct Aid	Prelim. (Increase Over Base)	Plus VRS Rates	Plus Composite Index	Subtotal To Date	Incr. Over Prior Year
FY 2016 Base Budget	<b>\$6,259.3</b>					
FY 2017	6,438.0	\$178.7	\$19.3	\$25.2		<b>3.6%</b>
FY 2018	6,468.4	<u>209.1</u>	<u>\$19.4</u>	<u>25.4</u>		<b>0.5%</b>
Biennial		\$387.8	\$38.7	\$50.6	<b>\$477.1</b>	

- Of the approximately 27 steps to-date, the biggest cost drivers are salaries, the “federal revenue deduct”, health care, inflation, and enrollment.
  - Other factors include free lunch eligibility, textbooks, and transportation.
  - The number of distinct Career and Technical Education courses offered declined.



## FY 2005 - 2014: Total (State, Local & Federal) Per Pupil Spending Has Not Kept Up with Inflation

Change in Spending Measures from FY 2005 to FY 2014

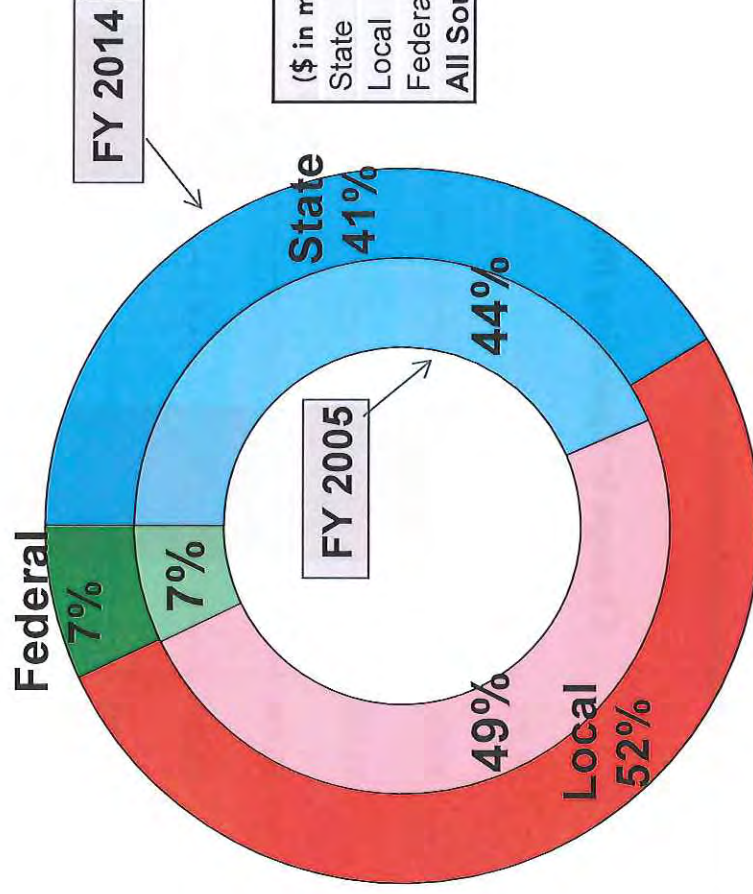


Source: Data set used in 2015 JLARC Report on K-12 Spending





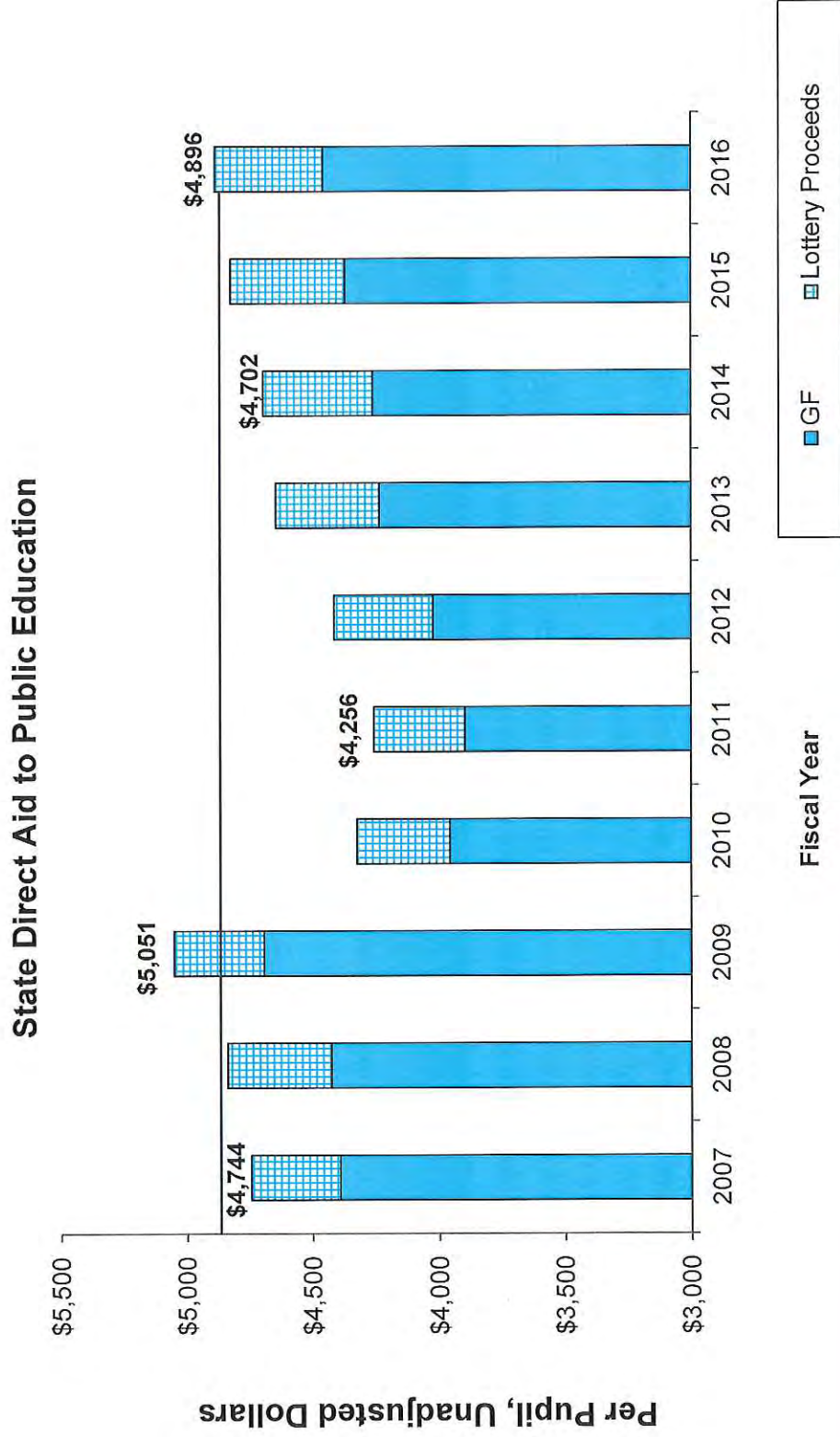
# FY 2005 – FY 2014: Shift in State-Local Shares



(\$ in millions)	2005	2014	Change
State	\$4,722.4	\$5,870.8	24%
Local	5,350.2	7,376.9	38%
Federal	773.8	993.8	28%
<b>All Sources</b>	<b>\$10,846.4</b>	<b>\$14,241.5</b>	<b>31%</b>



**FY 2007 – FY 2016: Unadjusted for Inflation,  
FY 2016 State Per Pupil Funding is 3.2% Above FY 2007**





## Key Funding Changes During the Great Recession - Primarily Technical Refinements to Cost Formulas

- Range of options considered during the Great Recession:
  - Allowing more local flexibility by reducing minimum required staffing levels or standards, scaling back, or eliminating programs (i.e. “doing less”);
  - Finding more efficiencies in the delivery of services; or
  - Redefining responsibility for cost sharing between the state and localities.
    - Most of the state’s actions were changes to recognized costs or other calculations.

Key State Funding Policy Changes From 2009-2012		Biennial (\$ in millions)
Cap funding for support positions (O&M, technology, school-based clerical, attendance and health, other)		(\$754)
Adjust health care for participation rates; include \$0 values in Linear Weighted Average calculation; update federal deduct percentage		(\$382)
Eliminate certain school expenditures from SOQ calculation (certain equipment, travel, misc.)		(\$244)
Eliminate school construction grants, and eliminate Lottery support for school construction and operating costs		(\$122)
Reduce funding for K-3 class size program; use Kindergarten enrollment as proxy for four-year-olds for VPI; extend the funded school bus replacement cycle from 12 to 15 years; eliminate enrollment loss assistance		(\$98)



## Lower Wealth School Divisions Lose More Per Pupil From Reductions in SOQ Funding

- State reductions tend to disproportionately impact lower wealth school divisions (just as state increases drive more dollars per student to lower LCI divisions). Example using the support positions cap:

All Are Per Pupil Amounts	FY 2010 Reduction Due to Support Cap	Total State Aid (FY 2010)	Total Funding All Sources (FY 2010)
<b>All Divisions</b>	<b>(\$283)</b>	<b>\$4,921</b>	<b>\$11,020</b>
Divisions with LCI < 0.3000	(\$377)	\$6,725	\$10,403
Divisions with LCI > 0.6000	(\$147)	\$3,344	\$13,558

- The General Assembly avoided cuts to programs targeted to at-risk students, and also limited reductions to K12, especially in the 2014 round of budget reductions.





# Local School Division Budget Reduction Strategies

## Fewer Positions

- School divisions make different budget decisions depending on their local circumstances. Many reduced the number of staff, limited salary increases and deferred facilities projects and maintenance.
  - 43 buildings were closed, mostly elementary schools.

Actions Implemented Since 2008	# of School Divisions (112 responses out of 132)
Reduced number of staff (5,138 teachers, 4,485 support staff, and 557 school- and division-level administrators)	At least 103 (out of 112 responding)
Reduced Professional Development	At least 85
Increased class sizes (average largest class sizes of 26 for elementary, 29 for middle, and 30 for high school)	At least 79
Reduced benefits	At least 49
Reduced clubs/athletics	At least 32
Reduced pay	At least 22
Source: Spring 2015 survey by the Virginia Association of School Superintendents	



# Most Cost Effective Strategies

## *What the Research Suggests*

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- Even with budget challenges, in recent years the General Assembly has made targeted research-based investments in education, including those related to:
  - Third grade reading,
  - Extended school year, and
  - Other efforts to improve low performing schools, including teacher residency programs, the Achievable Dream model, and Communities in Schools' support services.
- Last month, JLARC presented to the Senate Finance Committee its key takeaways of over 200 recent (high quality) studies to help identify additional opportunities to improve the quality of education students receive in consideration of the funds spent:
  - 1) Teaching:** Quality of teaching is the most important in-school factor.
    - Identify early and reduce turnover of most effective teachers as well as improve others.
  - 2) Low Performing Students:** Improving low achievement is cost-effective.
- Other legislative efforts to continue to improve efficiency and effectiveness include:
  - **Consolidation.** The Commission on Local Government just completed its work on incentives.
  - **School Readiness.** The new legislative Joint Subcommittee on the Virginia Preschool Initiative met four times in 2015 and heard a wide range of viewpoints on early childhood and school readiness.





# School Readiness

## *Update on Joint Subcommittee on Pre-K*

---

- The Joint Subcommittee on the Virginia Preschool Initiative (VPI) recommends extending its work into 2016. Key themes so far have included:
  - Reforming student income eligibility criteria to ensure that in all school divisions the neediest students are served first and are the target of limited state dollars.
    - Other states have income eligibility requirements, usually with flexibility.
  - Understanding the barriers to expanding a “mixed delivery” model, rather than primarily serving young children in public school settings.
    - Looking to other states that have had success with private providers.
  - Re-examining minimum VPI teacher qualifications (B.A. or other) and addressing related workforce issues.
  - Looking broadly at the continuum of early childhood (birth through age four).
  - Improving data, evaluation, and research; and
  - State capacity.





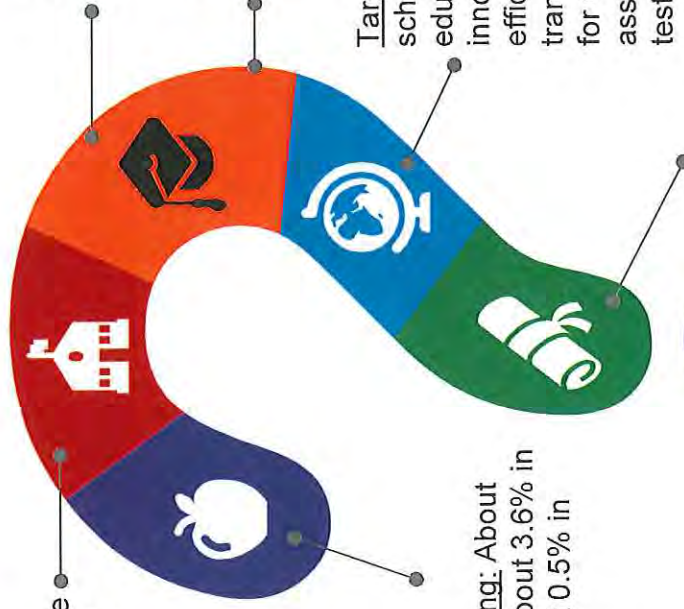
# Looking to the 2016-18 Biennium and Beyond

## What are options for how state dollars for K-12 should be directed?

### Better Recognize Prevailing Practice/Improve

Funding Equity: Such as exclude technology positions from the support cap, recognize more kindergarten aides, smaller classes, assistant principals, etc.

Teacher Salaries/Turnover: Ex. A first year salary increase of 1% would cost state approx. \$40 million/year; may want to consider local share impact by pairing with other state support.



Lottery Proceeds: Restore flexibility (in FY 2008 was \$150 million/year, with half for non-recurring expenses).

### Literary Fund School Construction:

Direct more to school construction loans (rather than retirement costs, currently \$165 million in FY 2016 base budget).

Targeted: Continue efforts on low performing schools, workforce/career and technical education, virtual education, incentivizing innovation, STEAM Academy. Support efficiency reviews, provide facilities and transportation expertise (JLARC). Requests for Governors' Schools, PISA international assessment participation, computer adaptive testing.

Re-benchmarking: About \$477 million (About 3.6% in first year, about 0.5% in second year).

Early Childhood/School Readiness: Quality improvement in preschool and childcare, state capacity for technical assistance and evaluation, reduce unmet need for home visiting.

### Other Formula Changes:

Cost of competing, LCI land use or other adjustments, re-examine other cost practices and options.



Appendix:  
Key School Division Data (FY 2014)

School Division	Per Pupil All Sources	% Above Required Local Effort	Composite Index of Ability-to-Pay	Average Daily Membership ADM Enrollment	Eligibility Free/Reduced Price Lunch	Average Teacher Salary	Student- Teacher Ratio	Below Benchmark (Fall of K)	Dropout Rate
<u>COUNTIES</u>									
Accomack	10,042	Not Rptd	0.3719	4,964	71%	Not Rptd	11.0	17%	5.0
Albemarle	12,775	140%	0.6502	12,961	28%	\$ 54,586	11.3	15%	2.2
Alleghany	11,005	180%	0.2297	2,402	45%	\$ 47,477	10.6	8%	6.8
Amelia	9,917	45%	0.3473	1,734	49%	\$ 49,019	14.3	15%	5.3
Amherst	10,386	94%	0.3075	4,095	51%	\$ 45,527	10.7	9%	4.8
Appomattox	8,704	15%	0.2945	2,251	47%	\$ 39,904	12.7	6%	3.8
Arlington	19,400	194%	0.8000	22,418	32%	\$ 73,846	9.7	4%	5.5
Augusta	9,348	77%	0.3627	10,329	40%	\$ 47,061	12.6	12%	3.7
Bath	16,576	119%	0.8000	601	44%	\$ 46,784	9.4	17%	9.1
Bedford County/City*	9,300	87%	0.3132	10,024	37%	\$ 43,653	12.5	12%	6.5
Bland	10,521	38%	0.3029	854	40%	\$ 43,775	11.5	19%	7.6
Botetourt	10,506	133%	0.3710	4,771	22%	\$ 51,189	12.7	9%	1.9
Brunswick	11,226	18%	0.2837	1,847	81%	\$ 41,712	11.7	22%	9.0
Buchanan	10,950	74%	0.3263	3,076	68%	\$ 39,840	10.3	23%	5.8
Buckingham	10,553	37%	0.3104	1,984	69%	\$ 42,193	11.8	12%	6.0
Campbell	8,890	113%	0.2655	7,926	44%	\$ 43,257	12.6	5%	4.5
Caroline	9,145	37%	0.3306	4,231	53%	\$ 47,144	15.0	10%	4.9
Carroll	10,351	102%	0.2831	3,811	58%	\$ 44,042	11.8	11%	5.2
Charles City	13,209	95%	0.4483	703	58%	\$ 45,722	10.1	8%	2.1
Charlotte	11,369	35%	0.2365	1,885	57%	\$ 44,298	10.1	20%	3.0
Chesterfield	9,023	82%	0.3539	58,523	33%	\$ 50,087	14.8	12%	5.5
Clarke	10,556	102%	0.4892	1,997	20%	\$ 50,728	13.1	10%	0.0
Craig	10,329	39%	0.3163	684	51%	\$ 45,277	12.5	23%	5.5
Culpeper	9,222	60%	0.3668	7,878	45%	\$ 48,769	13.3	13%	3.6
Cumberland	10,546	70%	0.2971	1,332	66%	\$ 48,069	12.1	10%	4.4
Dickenson	10,755	63%	0.2547	2,221	56%	\$ 38,948	11.8	13%	7.5
Dinwiddie	9,581	71%	0.2850	4,403	51%	\$ 47,901	13.5	19%	9.7
Essex	10,329	49%	0.4364	1,485	70%	\$ 45,007	11.4	26%	7.1
Fairfax County/City*	14,133	128%	0.6789	179,387	28%	\$ 64,580	12.4	15%	5.4
Fauquier	11,920	112%	0.5377	10,989	24%	\$ 56,267	12.5	18%	2.1
Floyd	9,771	46%	0.3440	2,009	47%	\$ 44,747	13.4	16%	5.0
Fluvanna	9,218	66%	0.3924	3,562	31%	\$ 50,524	13.7	7%	2.9
Franklin	10,387	64%	0.4181	7,025	50%	\$ 44,974	12.6	11%	6.5
Frederick	10,483	124%	0.3601	12,973	35%	\$ 50,689	13.6	17%	4.6
Giles	9,602	43%	0.2706	2,460	45%	\$ 40,759	11.5	30%	6.7
Gloucester	9,767	98%	0.3798	5,445	37%	\$ 49,567	13.5	11%	3.4

Appendix:  
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School Division	Per Pupil All Sources	% Above Required Local Effort	Composite Index of Ability-to-Pay	Average Daily Membership ADM Enrollment	Eligibility Free/Reduced Price Lunch	Average Teacher Salary	Student- Teacher Ratio	Benchmark (Fall of K)	Dropout Rate
Goochland	\$ 11,089	60%	0.8000	2,387	28%	\$ 48,187	12.4	8%	1.6
Grayson	\$ 12,096	38%	0.3385	1,744	62%	\$ 37,245	8.7	26%	9.0
Greene	\$ 9,376	73%	0.3724	2,968	38%	\$ 44,856	12.1	10%	2.7
Greensville/Emporia*	\$ 9,753	28%	0.2174	2,438	71%	\$ 46,397	12.2	13%	10.9
Halifax	\$ 9,696	34%	0.2943	5,202	59%	\$ 38,883	10.1	9%	6.2
Hanover	\$ 9,049	59%	0.4203	17,928	21%	\$ 48,334	12.3	6%	2.2
Henrico	\$ 8,978	69%	0.4276	49,271	40%	\$ 50,428	14.3	12%	6.6
Henry	\$ 9,528	39%	0.2430	6,977	66%	\$ 44,957	13.5	16%	5.6
Highland	\$ 18,034	23%	0.8000	190	61%	\$ 46,255	7.3	0%	10.5
Isle Of Wight	\$ 9,667	69%	0.4258	5,301	37%	\$ 54,956	14.2	7%	3.6
King George	\$ 8,591	54%	0.3787	4,179	33%	\$ 47,457	14.4	8%	5.1
King & Queen	\$ 12,681	74%	0.4469	769	69%	\$ 47,586	11.7	11%	5.9
King William	\$ 10,038	100%	0.3375	2,204	35%	\$ 48,618	13.1	14%	2.0
Lancaster	\$ 11,812	77%	0.7934	1,164	72%	\$ 47,480	11.4	12%	5.8
Lee	\$ 10,061	10%	0.1826	3,183	67%	\$ 39,243	10.5	22%	6.1
Loudoun	\$ 12,611	138%	0.5666	70,019	17%	\$ 61,485	13.3	8%	2.4
Louisa	\$ 11,628	70%	0.5659	4,617	47%	\$ 48,671	11.7	9%	6.9
Lunenburg	\$ 9,933	24%	0.2535	1,490	69%	\$ 44,401	11.9	17%	7.3
Madison	\$ 12,039	136%	0.4486	1,795	41%	\$ 44,490	11.1	15%	0.6
Mathews	\$ 10,874	58%	0.5589	1,143	40%	\$ 44,931	11.2	11%	5.8
Mecklenburg	\$ 9,347	29%	0.3650	4,442	62%	\$ 43,750	12.4	9%	4.8
Middlesex	\$ 9,519	36%	0.7232	1,152	51%	\$ 43,881	11.3	21%	2.8
Montgomery	\$ 10,083	80%	0.4053	9,463	38%	\$ 47,338	12.3	16%	6.5
Nelson	\$ 12,489	102%	0.5928	1,906	51%	\$ 50,967	11.9	25%	5.3
New Kent	\$ 9,227	82%	0.4414	2,882	22%	\$ 46,996	13.1	9%	4.9
Northampton	\$ 12,431	31%	0.5103	1,556	75%	\$ 41,427	10.3	11%	6.4
Northumberland	\$ 10,980	56%	0.8000	1,357	56%	\$ 48,024	12.0	12%	10.6
Nottoway	\$ 9,539	27%	0.2447	2,147	64%	\$ 47,793	13.0	11%	6.1
Orange	\$ 9,314	63%	0.3842	4,945	43%	\$ 47,465	14.0	13%	2.5
Page	\$ 9,504	65%	0.3143	3,331	52%	\$ 43,358	11.8	18%	1.5
Patrick	\$ 9,157	11%	0.2866	2,718	56%	\$ 42,447	13.3	26%	7.5
Pittsylvania	\$ 8,896	23%	0.2475	8,927	54%	\$ 40,865	12.1	16%	7.7
Powhatan	\$ 10,143	108%	0.4230	4,182	18%	\$ 51,846	13.4	13%	4.2
Prince Edward	\$ 10,987	96%	0.3265	2,125	69%	\$ 42,916	10.4	14%	9.8
Prince George	\$ 9,397	45%	0.2513	6,199	40%	\$ 51,816	13.6	20%	8.5
Prince William	\$ 10,445	99%	0.3787	82,674	39%	\$ 62,046	16.5	16%	6.5
Pulaski	\$ 10,153	65%	0.3052	4,317	51%	\$ 45,209	11.9	23%	6.8

Appendix:  
Key School Division Data (FY 2014)

School Division	Per Pupil All Sources	% Above Required Local Effort	Composite Index of Ability-to-Pay	Average Daily Membership ADM Enrollment	Eligibility Free/Reduced Price Lunch	Average Teacher Salary	Student- Teacher Ratio	Below Benchmark (Fall of K)	Dropout Rate
Rappahannock	\$ 13,715	76%	0.8000	893	35%	\$ 51,519	11.1	23%	1.6
Richmond	\$ 11,032	77%	0.3599	1,219	55%	\$ 49,185	12.8	16%	2.1
Roanoke	\$ 9,701	104%	0.3657	13,923	27%	\$ 49,968	12.7	10%	3.5
Rockbridge	\$ 10,617	82%	0.4903	2,538	44%	\$ 45,971	10.9	17%	14.9
Rockingham	\$ 10,094	139%	0.3675	11,301	40%	\$ 47,503	12.3	10%	4.1
Russell	\$ 9,241	29%	0.2430	3,936	57%	\$ 38,804	12.6	14%	5.3
Scott	\$ 8,958	13%	0.1831	3,627	59%	\$ 45,962	11.7	13%	4.6
Shenandoah	\$ 9,561	85%	0.3706	6,019	44%	\$ 46,694	12.3	14%	2.1
Smyth	\$ 9,630	45%	0.2178	4,608	58%	\$ 43,259	11.0	12%	5.9
Southampton	\$ 10,045	68%	0.3171	2,726	49%	\$ 43,171	14.3	14%	9.3
Spotsylvania	\$ 9,974	121%	0.3326	23,308	36%	\$ 53,178	14.7	14%	4.6
Stafford	\$ 10,063	124%	0.3305	26,898	27%	\$ 53,031	14.2	10%	5.4
Surry	\$ 16,340	137%	0.7642	867	64%	\$ 50,198	7.7	9%	7.1
Sussex	\$ 17,017	221%	0.3375	1,092	82%	\$ 52,978	11.1	12%	2.4
Tazewell	\$ 8,971	9%	0.2695	6,156	52%	\$ 38,762	11.8	17%	6.4
Warren	\$ 9,649	84%	0.3890	5,390	41%	\$ 47,916	13.3	13%	2.7
Washington	\$ 10,109	109%	0.3533	7,147	46%	\$ 47,414	12.4	9%	3.1
Westmoreland	\$ 10,729	54%	0.4649	1,582	74%	\$ 44,675	11.3	11%	8.2
Wise	\$ 9,695	102%	0.2045	5,907	60%	\$ 49,693	12.8	17%	5.0
Wythe	\$ 9,458	65%	0.3204	4,162	49%	\$ 47,288	13.2	16%	8.6
York	\$ 9,896	81%	0.4049	12,266	21%	\$ 49,883	14.4	6%	2.5
<u>CITIES</u>									
Alexandria	\$ 17,845	184%	0.8000	13,220	60%	\$ 72,942	11.5	13%	9.2
Bristol	\$ 10,402	45%	0.3190	2,200	65%	\$ 43,926	10.5	15%	5.5
Buena Vista	\$ 9,709	63%	0.1895	1,000	51%	\$ 40,483	11.3	16%	9.1
Charlottesville	\$ 14,911	154%	0.6861	4,012	53%	\$ 54,886	10.4	14%	5.6
Colonial Heights	\$ 12,845	172%	0.4448	2,796	43%	\$ 51,300	10.7	12%	2.6
Covington	\$ 11,266	152%	0.2775	898	54%	\$ 51,141	11.5	33%	13.5
Danville	\$ 10,598	89%	0.2653	5,955	77%	\$ 47,879	12.6	17%	5.4
Falls Church	\$ 17,077	171%	0.8000	2,392	10%	\$ 66,589	10.6	4%	0.5
Fredericksburg	\$ 13,262	134%	0.6511	3,238	54%	\$ 49,493	11.7	16%	12.9
Galax	\$ 10,015	71%	0.2725	1,264	65%	\$ 46,328	12.0	23%	2.1
Hampton	\$ 10,426	88%	0.2912	20,139	58%	\$ 47,516	12.8	7%	4.9
Harrisonburg	\$ 11,706	102%	0.4274	5,018	71%	\$ 43,974	9.8	18%	7.8
Hopewell	\$ 10,260	73%	0.2376	3,944	77%	\$ 48,013	12.2	15%	11.1
Lynchburg	\$ 10,789	103%	0.3727	8,115	63%	\$ 39,037	9.9	13%	8.8
Martinsville	\$ 10,920	111%	0.2175	2,108	75%	\$ 43,210	11.4	25%	8.0

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Newport News	\$ 10,563	110%	0.2934	27,746	61%	\$ 49,682	14.1	8%	2.8
Norfolk	\$ 10,671	91%	0.3102	29,907	67%	\$ 49,908	11.9	9%	8.0
Norton	\$ 9,353	47%	0.3274	820	60%	\$ 41,463	12.6	22%	4.6
Petersburg	\$ 10,906	44%	0.2516	4,074	83%	\$ 42,150	12.0	11%	8.7
Portsmouth	\$ 10,206	86%	0.2755	14,048	63%	\$ 38,872	10.5	13%	6.4
Radford	\$ 9,387	84%	0.2630	1,574	42%	\$ 50,428	13.2	22%	3.9
Richmond	\$ 12,731	90%	0.4779	21,782	74%	\$ 50,148	11.1	22%	13.6
Roanoke	\$ 11,840	133%	0.3728	12,657	73%	\$ 50,509	12.4	21%	12.2
Staunton	\$ 10,086	88%	0.3987	2,526	55%	\$ 46,730	11.8	18%	3.5
Suffolk	\$ 9,437	66%	0.3530	13,904	47%	\$ 49,809	13.6	9%	8.8
Virginia Beach	\$ 10,825	121%	0.4110	68,853	36%	\$ 56,048	14.7	9%	4.8
Waynesboro	\$ 10,472	120%	0.3690	2,989	57%	\$ 47,484	11.6	15%	2.4
Williamsburg/James City	\$ 10,974	61%	0.8000	10,964	31%	\$ 52,920	13.2	6%	4.0
Winchester	\$ 12,126	134%	0.4645	4,106	58%	\$ 53,910	11.3	31%	6.4
Franklin	\$ 12,925	103%	0.3276	1,166	76%	\$ 46,430	10.1	26%	10.0
Chesapeake	\$ 10,692	115%	0.3678	38,735	35%	\$ 56,484	14.0	9%	2.9
Lexington	\$ 9,089	52%	0.5059	669	18%	\$ 39,402	10.3	12%	
Salem	\$ 11,057	143%	0.3628	3,761	32%	\$ 55,115	13.4	10%	3.5
Poquoson	\$ 9,511	98%	0.3816	2,116	15%	\$ 46,887	13.0	9%	2.1
Manassas	\$ 12,729	172%	0.3599	6,928	59%	\$ 62,534	12.5	29%	4.8
Manassas Park	\$ 10,527	103%	0.2600	3,077	58%	\$ 58,089	14.3	21%	9.2
<b>TOWNS</b>									
Colonial Beach	\$ 11,658	65%	0.3527	549	66%	\$ 41,498	10.6	21%	5.2
West Point	\$ 11,127	218%	0.2838	787	30%	\$ 37,914	8.8	9%	0.0
<b>Division Average</b>	<b>\$ 10,865</b>	<b>84%</b>	<b>0.3969</b>	<b>9,319</b>	<b>50%</b>	<b>\$ 47,856</b>	<b>12.1</b>	<b>14%</b>	<b>5.6</b>
<b>Division Median</b>	<b>\$ 10,387</b>	<b>77%</b>	<b>0.3600</b>	<b>3,786</b>	<b>51%</b>	<b>\$ 47,457</b>	<b>12.1</b>	<b>13%</b>	<b>5.4</b>

\*Most data is reported jointly for jointly-operated school divisions. For Required Local Effort and Composite Index, which are reported separately, for purposes of this table, the division listed first only is shown.





**FOR IMMEDIATE RELEASE:**

## **General Assembly Recognizes Holistic Measures to Reduce Poverty and Urban Revitalization**

*Virginia First Cities' Community Wealth Building Legislative Agenda Gets Traction*

Richmond, VA - February 25, 2017 – The Virginia General Assembly budget for FY 2018 includes \$7.5 million for a groundbreaking poverty fighting measure pioneered by several Virginia First Cities' members, including Charlottesville, Richmond, Norfolk, and Lynchburg.

The Virginia Community Wealth Building Grant Fund will be administered by the Virginia Department of Social Services and available to assist localities that undertake holistic measures designed to move individuals and families into employment and sustainability.

Kristin Szakos, Chair of Virginia First Cities and a member of the Charlottesville City Council said, *"Creating vibrant, strong communities means taking a hard look at all members of society and providing supports that are life-changing and sustaining for those who have been left out of our growing economy. Our cities have incubated the Community Wealth Building approach to fighting poverty and we've witnessed the change when government, non-profits, and other community partners join forces to move the needle. We are enormously thankful to the General Assembly for their recognition, and now their contribution, so that this approach may be modeled in other localities"*

Kelly Harris-Braxton, Executive Director of VFC said, *"Our thanks to the bipartisan coalition that worked so hard to enable the funding for the Community Wealth Building Fund and other VFC proposals. From Senators Hanger and Ruff, to Delegates Peace and Sickles, and the members of the Virginia Legislative Black Caucus, our sincere thanks for your important work."*

Virginia First Cities' advocacy efforts on behalf of its 12 members met with resounding success this session. Virginia First Cities' community wealth building-themed legislative program and the state budget adopted by the 2017 General Assembly includes:

### **Urban Revitalization**

- Restored funding for the Virginia Brownfields Remediation Program
- Restored funding for the Virginia Enterprise Zone Program
- Aid to Local Police Departments funded at the Governor's Introduced Budget level

### **At-Risk Education**

- \$1 million in FY18 for Master Teacher Residency programs
- Removal of budget language that cut funding to schools making progress and achieving accreditation in the Extended Day/ Year Funding Program (also known as Year Round Schools).

## **Human Services**

- Updates to the locality groupings for the Temporary Assistance to Needy Families (TANF) program with a resulting increase in payments to recipients.

Virginia First Cities is the state advocacy coalition for 12 of the state's oldest and most historic cities. Our cities coalesce around critical issue areas: urban economic development, at-risk education, human services, and public safety. Our public policy advocacy and best practices have resulted in the continued revitalization of Virginia's urban core. We invite all of Virginia's cities to join our coalition.

Contact: Kelly Harris-Braxton, Executive Director

[kharrisbraxton@vafirstcities.com](mailto:kharrisbraxton@vafirstcities.com)

1108 E. Main Street, Suite 601

Richmond, VA 23219

804-249-7950

**Virginia First Cities' members:** Charlottesville, Danville, Hampton, Hopewell, Lynchburg, Martinsville, Newport News, Norfolk, Portsmouth, Richmond, Staunton, Winchester

###



## **BACKGROUND**

**ITEM # 8 – CHESAPEAKE BAY FOUNDATION \$50M  
REQUEST FOR STORMWATER LOCAL ASSISTANCE FUND**

**ITEM # 8 – CHESAPEAKE BAY FOUNDATION \$50M  
REQUEST FOR STORMWATER LOCAL ASSISTANCE FUND**



## CHESAPEAKE BAY FOUNDATION

### *Saving a National Treasure*

## FACT SHEET

October 2017

### **Support Adequate Funding for Agriculture Best Management Practices**



Robust and reliable funding of Virginia's agricultural best management practice cost-share program is essential for meeting the Commonwealth's water quality goals. Practices like fencing cattle out of streams, planting streamside trees and grasses, planting cover crops, and many others are the most cost-effective steps Virginia can take to restore the Bay and local streams under the Chesapeake Clean Water Blueprint. To ensure we reach our Blueprint goals, the Commonwealth should allocate \$62 million to deepen its financial obligation to farmers putting best management practices on the ground.

### **Defend Virginia's Polluted Runoff Program**

Runoff from roofs, sidewalks, and roadways is a major source of toxins and other pollutants to our waterways. Local governments are installing projects to reduce polluted runoff into their streams as well as to meet our Clean Water Blueprint goals, but require support from the Stormwater Local Assistance Fund (SLAF) to continue these efforts. SLAF provides matching grants to localities for projects that reduce polluted runoff, such as stream restoration, rain gardens, and other retrofits. CBF urges the General Assembly to appropriate \$50 million in funding for this critical grant program.

Polluted runoff is not just an environmental problem—it's also an economic problem. It increases drinking water treatment costs, worsens local flooding, closes beaches, and contaminates shellfish. Worsening polluted runoff threatens to offset the progress being made in reducing water pollution from other sources. Degraded water quality adds to local public works costs and the economic hardship of watermen and communities that rely upon clean water for their way of life. CBF urges the General Assembly to maintain a strong stormwater program; a program that was significantly overhauled in 2014 with improved technical requirements and an effective administrative framework. Weakening this program will hinder Virginia's ability to meet its state and federal Chesapeake Bay cleanup commitments to reduce pollution from runoff and would simply create a bigger, more-costly gap to overcome.

### **Provide Funding for Oyster Restoration and Replenishment Efforts**

Oysters cannot restore the Bay alone, but the Bay will never be restored without a vibrant oyster population. Oysters filter water and oyster reefs provide food and habitat for hundreds of marine creatures. Overharvesting, pollution, and disease decimated oysters, but in recent years, oysters have shown signs of recovery. The oyster industry has experienced a 52 percent increase in dockside value since 2013. An increase in funding will allow this growth to continue, helping to rebuild an industry that once supported thousands of jobs and added millions to our economy. CBF is working with partners from the seafood industry and environmental community to advocate for \$3 million for oyster replenishment and \$0.5 million for oyster restoration.

*For more information, please contact CBF Virginia Assistant Director and Senior Attorney  
Peggy Sanner at [psanner@cbf.org](mailto:psanner@cbf.org) or 804/780-1392; or CBF Senior Regional Ecosystem Scientist  
Chris Moore at [cmoore@cbf.org](mailto:cmoore@cbf.org) or 757/622-1964.*



CHESAPEAKE BAY FOUNDATION  
*Saving a National Treasure*

## Herbert Bragg

---

**From:** Charles E. Dane  
**Sent:** Monday, October 30, 2017 3:51 PM  
**To:** Herbert Bragg  
**Subject:** FW: Thank You for Attending the Chesapeake Bay Foundation's Decisionmaker Experience  
**Attachments:** legislative priorities fact sheet 2018\_RVADME.pdf; Dane.pdf

Legislative Agenda item.

**From:** Blair Blanchette [<mailto:BBlanchette@cbf.org>]  
**Sent:** Monday, October 30, 2017 3:46 PM  
**To:** Charles E. Dane <[cdane@hopewellva.gov](mailto:cdane@hopewellva.gov)>  
**Subject:** Thank You for Attending the Chesapeake Bay Foundation's Decisionmaker Experience

Thank you for attending the Chesapeake Bay Foundation's Decision-maker discovery trip! We hope that the trip gave you a sense that we CAN restore the Bay. It will take all of us working collaboratively and diligently to see the [Blueprint](#) through completion. We applaud your efforts and interest in seeing this through.

As many of you are aware, General Assembly is also fast upon us. Attached is the Chesapeake Bay Foundation's list of legislative priorities for the 2018 General Assembly. Most relevant for you is the request for \$50M for the Stormwater Local Assistance Fund. Your use of these funds in your localities speaks volumes to benefits for local water quality, so please consider working with your city council or board of supervisors to request this program be funded in the future.

Lastly, [click here](#) to see photos from our trip, and complete this [brief feedback form](#) to improve the program. The feedback form also allows you to provide contact information for individuals you think would enjoy the spring 2018 trip.

Also, attached please find information related to the boat trip that you may need for your files.

We look forward to continuing to work with you on this effort to clean up our waterways, and don't hesitate to reach out if you have questions.

Blair Blanchette  
Grassroots Coordinator  
Chesapeake Bay Foundation

## **BACKGROUND**

### **ITEM # 9 – WATER QUALITY IMPROVEMENT FUND**

### **ITEM # 9 – WATER QUALITY IMPROVEMENT FUND**



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## Downloadable Documents

[Water Quality Improvement Fund List](#)

## Virginia Department of Environmental Quality

P.O. Box 1105  
 Richmond, VA 23218  
 Street Address: 629 East Main St.  
 Richmond, VA 23219

## Contact Us:

1-(804) 698-4000  
 1-800-592-5482 (Toll Free in VA)

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## Water Quality Improvement Fund

The Virginia Water Quality Improvement Act of 1997 (VA CODE Section 10.1-2117 through 2134) was enacted by the Virginia General Assembly in response to the need to finance the nutrient reduction strategies being developed for the Chesapeake Bay and its tributaries.

Pursuant to the Act, the Commonwealth established in the State treasury a special permanent, non-reverting fund, known as the "Virginia Water Quality Improvement Fund." The Act directs the Department of Environmental Quality to assist local governments and individuals in reducing point source nutrient loads to the Chesapeake Bay with technical and financial assistance made available through grants provided from the fund. Section 10.1-2129.B. of the Act directs the Secretary of Natural Resources to develop written guidelines that (i) specify eligibility requirements; (ii) govern the application for and distribution and conditions of WQIF grants; and (iii) list criteria for prioritizing funding requests.

Legislation passed during the 2006 General Assembly session amended the WQIF guidelines with respect to several point source issues and in response the Office of the Secretary of Natural Resources published revised guidelines (Nov. 2006) based on those changes and public comments.

### Eligibility

Currently, project eligibility is limited to design and installation of nutrient reduction technology at Chesapeake Bay watershed publicly owned wastewater treatment plants. The DEQ Director is required to sign an agreement with all eligible applicants with one exception. The Director may defer a grant if it is determined that the use of nutrient credits in accordance with the Chesapeake Bay Watershed Nutrient Credit Exchange Program (§ 62.1-44.19:12 et seq.) would be significantly more cost-effective than the installation of nutrient controls for the facility in question.

### WQIF Application Processing

Applicants for WQIF grants must first submit a grant Application during a solicitation period. In order to process the applications in a fair and equitable way and also establish a prioritization, DEQ developed guidance memorandum (GM) #06-2012 (guidance memorandum).

To develop a draft agreement, DEQ relies on: the application, external information (such as water billing records and Census information), a Preliminary Engineering Report (PER), bid information (i.e. schedule of values) from the contractor and the engineering agreement with scope of work. Once a draft agreement for construction is ready for public review, a review period is posted and public comments are solicited during a comment period of at least 30 days at the following link: [draft/public-noticed agreements](#). Draft agreements may be viewed at the DEQ central office.

#### DEQ Clean Water Financing and Assistance Program

629 East Main Street, Richmond  
 Mail: P.O. Box 1105  
 Richmond, Virginia 23218  
 Attn.: Walter Gills  
 (804) 698-4133

Following this period, a project will then be listed on the website as signed grant agreements.

As required by the Act, all point source construction grants must be governed by a legally binding, enforceable agreement that includes provisions to: govern design and installation of facility upgrades; require long-term operation, maintenance and monitoring; require periodic reporting; and include stipulated penalties for non-performance.

#### Summary of Appropriations by Fiscal Year

Period	Funds For Bay Point Source Projects (Million Dollars)
FY 1998	\$10.00
FY 1999	\$37.10



FY 2000	\$27.64
FY 2001	\$10.30
FY 2005	\$12.57
FY 2006	\$80.28
FY 2007	\$197.33
Interest earned FY 2007	\$18.19
FY 2008	\$5.00
FY 2009	\$0.48
Interest earned FY 2008 & 2009	\$3.37
FY 2010 - Approved Bond Proceeds	\$250.35
FY 2011	\$3.10
FY 2013	\$87.57
FY 2014 - Approved Bond Proceeds	\$106.00
FY 2017 - Approved Bond Proceeds	\$59.00
<b>TOTAL DEPOSIT =</b>	<b>\$908.28</b>

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## **BACKGROUND**

### **ITEM # 10 – VIRGINIA FIRST CITIES 2018 DRAFT LEGISLATIVE AGENDA**

### **ITEM # 10 – VIRGINIA FIRST CITIES 2018 DRAFT LEGISLATIVE AGENDA**

## **PART 3**

### **City of Hopewell 2018 General Assembly Legislative Priorities**



## 2018 LEGISLATIVE AGENDA

It has been 18 years since the Virginia First Cities Coalition (VFC) first began our efforts to improve the lives of Virginia citizens in our historic, core cities. Our cities have made remarkable gains, but more remains to be accomplished so that all citizens of our cities have the opportunity to live in healthy communities with educational promise. *It is the incremental and strategic work of VFC that takes a long view to effect systemic change and economic development in our cities.* Virginia First Cities has worked to advance policies that reduce poverty, blight and crime and provide better opportunities for at-risk students in public education. We also advocate for policy improvements in urban transportation and economic development to and enhancements to tax policy and human services for those most in need.

What follows are legislative policies that we recommend for the coming 2018 Virginia General Assembly Session.

### EDUCATION

Only 68% of K-12 positions employed by local school divisions are recognized by the SOQ. Many of the support positions and other support costs were de-funded after 2009 and have left teacher salaries underfunded. Virginia First City members have a combined 2325 fewer staff in our schools relative to the student enrollment in 2008-2009. Further, VFC localities have 21% more students on free and reduced lunch than the statewide average. For all these reasons, Virginia's public education "achievement gap" must be closed. Nearly 20% of Virginia's schools are not fully accredited, with minority and economically disadvantaged students lagging in SOL performance. At-risk children often enter Virginia's public school system with more limited vocabularies and social skills, making it difficult to master reading skills by the 3<sup>rd</sup> grade.

One specific reason why the achievement gap persists is the difficulty in attracting and retaining certified, qualified teachers to underperforming schools. The teacher shortage in Virginia (1,000 teachers short) is acute and should be addressed as an emergency workforce issue. Additionally, the traditional school day and year are not well suited to the needs of at-risk students. And, underperforming schools often have older buildings and equipment that contribute to a difficult teaching environment.

### VFC Legislative/Budget Request(s):

1. Expand the current **VDOE STEM program** to attract, recruit, and retain high quality, diverse individuals to teach math, science, technology and engineering subjects to middle and high school students. Currently \$808,000 is appropriated each year. Increase to \$2 million each year.
2. **Increase funding for the Master Teacher Residency/mentor programs from \$1 million to \$5 million per year.** University curriculums should provide better classroom management training for placing teachers in urban school divisions. The

VCU/Richmond teacher residency program should be used as a best practice model and expanded to other education programs/cities within the state.

3. **Increase At-Risk Add-On funding for challenged schools. Increase Basic Aid per free lunch student from 1-13% currently to 1-15% in the 2018-20 budget. Link increase to teacher improvement programs.** Cost: approximately \$30 million over the biennium.

#### **VFC Legislative Positions:**

- Ensure extended school day/year strategies are employed and funded that fit the needs of school divisions.
- Build a high quality Virginia Preschool Initiative (VPI) program with good teachers and a flexible policy toward eligibility that encourages mixing of children from different backgrounds and income levels. Encourage increasing the per child amount provided for VPI from the current \$6,125 per child.
- Support efforts to **eliminate the support position funding cap adopted in the 2010 Session. This cap has required school divisions to fund 100 percent of still needed support positions.** It would also allow school districts to afford more teaching aides, literacy coaches, reading and math STEM specialists needed to complement and assist teachers in underperforming schools. Cost: approximately \$700 million over the biennium.
- Support increased funding for the **Virginia Teacher Scholarship Loan Program** and adjust policies to direct scholarships to teachers in challenged schools. Funding is currently provided for approximately 76 scholarships. Increasing funding could expand the program to help better fill hard-to-staff positions in challenged schools.
- Give school leadership the flexibility and tools to manage and turn around underperforming schools.
- Enable schools of education in the Commonwealth to offer undergraduate education degrees that lead to licensure within four years. Degree candidates could declare their education major early in their studies, allowing schools of education to provide professional induction through ongoing reflective experience. This structure would facilitate recruitment and retention, especially in secondary education STEM field.
- Bring a set of holistic before, during and after-school wrap-around programs to underperforming schools.

#### **TRANSPORTATION**

Virginia First Cities has been a strong advocate for adequate state street maintenance payments and public transit funding. Cities have more difficult street maintenance needs when considering the infrastructure, age, usage levels, the need to modernize aged underground utilities, and provide for expensive sidewalks and public transit and bike lanes. Virginia First Cities recognized that our cities were being shortchanged when it came to primary road extensions. Our advocacy has paid off by additional funding through the new paving and state of good repair programs. We must stay vigilant to ensure this funding continues and is enhanced.



Public transit funding is facing a \$110 million funding reduction from FY 2019 to FY 2021 due to the expiration of bond funding. Without a replacement source of revenue, the state of good repair of our public transit systems will be severely impaired and unable to expand to better serve the citizens of our urban communities. Cities are already called upon to help fund public transit systems and ill afford to make up for the loss in state public transit support. Virginia's economy would lose \$200 million annually in economic activity related to capital investments if funding were not replaced. Virginia needs steady/reliable revenues dedicated to transit state of good repair program.

**VFC Legislative/Budget Request(s):**

4. Request increased state funding for urban street maintenance

**VFC Legislative Positions:**

- The General Assembly should ensure that funding for statewide State of Good Repair to replace the Capital Projects Revenue bond funding is in place before 2020. Additionally, the Hampton Roads region should have a dedicated regional funding source for transit.

**PUBLIC SAFETY**

Virginia First Cities supports efforts promoting trust, ensuring legitimacy through procedural justice, transparency, accountability and honest recognition of past and present obstacles. Policies that support community-based partnerships, and that balance the embrace of technology with local needs and privacy all have a place in building healthy communities.

Breaking the cycle of crime and punishment and rehabilitating criminals to return to productive members of the community takes a commitment to reentry programs. Wraparound services are imperative to ensure that returning citizens are prepared to have the necessary support upon their release. Innovative and comprehensive treatment programs in prisons, coupled with state of the art diversionary measures for mentally ill arrestees and prisoner community reentry programs must be pursued to prevent high rates of recidivism and facilitate their adjustment to the community upon release. Likewise, our urban police departments need to have the funding to acquire, train and implement technology to be most effective.

**VFC Legislative Positions:**

- Support the reinstatement of funding for **community diversion/day reporting centers** that were cut during the recession. These centers provided treatment alternatives rather than jail sentencing for non-violent offenders. Reducing burdensome and repetitive costs to our local governments is paramount, as is breaking the cycle of jail/prison, to a life with little or no support from family or neighborhood.
- Support the creation of a **funding nexus between local/regional jails and the Virginia Community Service Boards (CSBs) for treatment of mentally ill prisoners.** Virginia jails are one of the largest providers of mental health services for persons with mental illness. CSBs and local jails should develop written and joint agreements when individuals with mental illness are in local and regional jails.

- Support funding for **mental health treatment for individuals in local and regional jails that is proportional to the investment in support services for the same population in the community**. Our correctional institutions should not be de facto state hospitals. However, the Commonwealth has essentially shifted the cost of treatment to localities.
- Support for the Commonwealth **fully funding state responsible inmates** or minimally restoring funding to FY 2010 levels.
- **Fund Aid to Localities with Police Departments** according to statute (§9.1-169) with a formula that is responsive to urban police departments.
- Support **increasing the threshold for felony larceny**. At the current \$200, Virginia's threshold is the lowest in the United States.
- Support the General Assembly giving local governments the authority to regulate the possession of firearms on property owned, operated, managed or under the control of the local government.

## **ECONOMIC DEVELOPMENT**

### **Enterprise Zones, Brownfields, Historic Rehabilitation Tax Credit, Stressed Locality Incentive Fund**

The Virginia **Enterprise Zone (EZ)** program is a targeted local area economic development tool that intended to be used in distressed localities. A recent VFC initiated state study on the EZ Program found the program and its incentives have been instrumental in attracting jobs and businesses and encouraging investment within the zones. The value of real estate has been found to increase significantly within the Enterprise Zones compared to the surrounding areas. The EZ program provides an immediate brand value for communities. Communities with EZs get the attention of businesses looking to expand into the Commonwealth. However, proration of the Real Property Improvement Grant (RPIG) is the single biggest weakness of the Enterprise Zone program. It creates uncertainty for investors, as they don't know what portion of the requested grant amount they will ultimately receive. In the most recent grant year, grants were funded at 73.7% of the original commitment. Thus, program effectiveness and economic development and redevelopment benefits were curtailed.

The **Virginia Brownfield Restoration and Economic Development Assistance Fund** is a true public-private partnership that leverages private investment many times over the public funding. The Virginia First Cities Coalition has been the champion for funding this program that has been successful in helping localities assess and remediate environmentally comprised land and put it back into productive use. The Fund was substantially capitalized with \$4.3 million for the 2016 - 18 biennium. This was by far the largest infusion of funding for this program and now allows for not only site assessment, but also funding of up to \$500,000 for site remediation.

Virginia First Cities' members have received 64% of the total **Historic Rehabilitation Tax Credits** since 2006. This very successful tax credit program has fueled the revitalization of our cities. However, legislation enacted in the 2017 General Assembly limits the amount of historic rehabilitation tax credits that can be claimed by each taxpayer to \$5 million per year, including any amounts carried over from prior taxable years, for taxable years beginning on and after January 1, 2017, but before January 1, 2019.

The low growth in General Fund revenues and the continued high growth in Medicaid and debt service translates to degradation in state support for locally administered and state-mandated programs. Most locally mandated programs for health, welfare and public safety have been level funded or reduced since FY 2009. For many of the reasons enumerated in this legislative agenda, as well as in years past, our members, and local governments, in general, are critically under-funded. As Virginia's Auditor of Public Accounts and other state officials have testified, the Commonwealth does not have a mechanism in statute to assist local governments when economic and other conditions are such that ongoing fiscal management is in jeopardy. While we must acknowledge the dichotomy between fiscal stress (as defined by the Commission on Local Government) and fiscal stewardship (as defined by the Auditor of Public Accounts' APA/FAM Scores), it is clear that Virginia localities would benefit from a revolving or other fund like the Commonwealth's Development Opportunity Fund to assist as critical situations arise.

**VFC Legislative/Budget Request(s):**

5. Support the creation of a fund, or the amendment to an existing fund, so that **fiscally stressed localities** can more easily access grants or loans.
6. Fund the **Enterprise Zone Program** in **sum-sufficient** amounts to avoid grant proration.
7. **Amend the Enterprise Zone Program Legislation to allow roll over** for the remaining **Real Property Improvement Grant** to the following year(s) or by paying the remainder of the money due in the form of a tax credit.
8. **Amend the Enterprise Zone Program to improve the Job Creation Grant by increasing the grant amount per qualifying position** and make it equally attractive to small and medium sized businesses. (For example, use variable rates for the program -- \$1000 for the first 100 jobs, \$750 for 100-200 jobs and \$500 for 200-350 jobs. This will attract small and medium sized businesses by helping them overcome the transaction cost per qualifying position).
9. Increase funding for the successful **Brownfields Assessment & Remediation Grant** Fund from \$2.25 million to \$3.0 million per year.

**VFC Legislative Positions:**

- Oppose any decrease or further extension of the cap on the **Historic Rehabilitation Tax Credit**.
- Support the General Assembly giving cities the authority to make decisions regarding the location or disposition of Confederate monuments on City property.

## HEALTH AND HUMAN SERVICES

### Community Wealth Building, Maternal and Child Health (MCH) Block Grant, Virginia Grocery Investment Fund, Medicaid/Social Services

Virginia First Cities localities experience a higher than average poverty rate relative to state and national standards. Even VFC member localities that don't have an overall poverty rate higher than the national average have pockets of exceptionally high poverty that stifle and polarize the local community. Breaking down the silos that exist in our local governments and truly linking with local non-profit partners to take a look at all the "wrap-around" supports individuals need so that they can move out of poverty is the goal of the **Community Wealth Building Grant, or the TANF to Employment Grant Fund**. *VFC has over twice the number of students in poverty versus the statewide child poverty rate.*

At our members' urging, the 2017 General Assembly appropriated \$7.5 million from the Temporary Assistance for Needy Families program to seed fund the TANF to Employment grant program. Several VFC members applied and received grants that we feel confident will move the needle on permanent employment and poverty eradication. However, many VFC localities were unable to pull together an application for grant funds in what was a very compressed time frame. We know the need is still acute and many Virginia localities will submit applications for grant funding. By targeting intractable long-term pockets of poverty through intensive job placement and training efforts that combine mentoring, education, transportation resources, employer outreach and other programs that break the cycle of poverty, community wealth building is perhaps the ultimate in economic development for our cities. As well, breaking down the silos that exist, oftentimes within our own local governments, will help ensure that all community partners are working together to move the needle on poverty eradication.

The **Maternal and Child Health Services Block Grant** (Title V) is a federal/state matching grant program that enables states to maintain and strengthen their leadership in planning, promoting, coordinating and evaluating health care for pregnant women, mothers, infants, and children, children with special health care needs, and families. The MCH provides a variety of health services for maternal and child health populations who do not have access to adequate health care and are at-risk for poor health status and outcomes. The variety of health services include prenatal care clinics and education (e.g., tobacco cessation for pregnant women, safe sleep practices) in health districts, school health nursing education and training across the state, early hearing detection and follow up services, early screening for children with special healthcare needs and care coordination services for children and youth with special healthcare needs. Currently, Virginia provides \$4.3 million in General Funds and \$1 million in special funds and receives \$12.1 million in federal funds to operate the program. We know that our localities would benefit from an increased share of these funds that will allow more children and families to be served, as well as increase the likelihood for positive outcomes for the Commonwealth.

The **Virginia Grocery Investment Fund** is an initiative that VFC has supported for several years. More than 1.7 million Virginians, including 480,000 children live in lower income communities with limited supermarket access. Many of these communities overlap with VFC member cities.

#### VFC Legislative/Budget Request(s):

10. The **Community Wealth Building Grant, TANF to Employment Grant Program**, should be funded and enhanced.



### **VFC Legislative Positions:**

- Support efforts to seed the **Virginia Grocery Investment Fund** in the Governor's introduced budget and with the Senate and the House.
- Support increased funding for the **"Smart Beginnings" and "Healthy Families"** programs that are proven to enhance school achievement and prevent the cycle of poverty.
- Support for **Medicaid Expansion** to include adults up to 138% of the Federal Poverty Level under the Affordable Care Act.
- Support increased funding for **local social services administration**.
- Support an increase to the **Maternal and Child Health Services** Program to invest in more home visiting programs, to expand the communities served by home visiting, and to address data infrastructure issues to connect information systems (IT) to enable closer coordination between systems (and home visiting efforts) used by Early Impact Virginia.
- Support a 36% interest rate cap on all loans in Virginia.

### **TAX POLICY**

#### **VFC Legislative Positions:**

- Index the **Virginia Individual Income Tax Standard Deduction** to inflation.
- Enact a **Refundable Earned Income Tax Credit**.
- Support the modernization of the Communications and Sales Tax (CSUT) to ensure that it reflects the modern telecommunications landscape, which has evolved since the CSUT took effect in January 2007. According to the Virginia Department of Taxation study (Dec. 2015), the amount of the tax collected each year has declined. For example, in FY2008, the amount distributed to localities was \$472.02 million. By FY2015, the amount had declined to \$396.45 million. To reverse the decline in revenues, the study recommended including the taxation of streaming services such as Netflix, and pre-paid wireless cards and increasing the tax rate from 5.0% to the current state sales tax rate of 5.3%.

\* The 2018 VFC Legislative Agenda was approved by the VFC Board of Directors, comprised of representatives from each member city. Each item included in the VFC Legislative Agenda may not be officially supported by every member city.



## FIRST CITIES

**FOR IMMEDIATE RELEASE:**

### **General Assembly Recognizes Holistic Measures to Reduce Poverty and Urban Revitalization**

*Virginia First Cities' Community Wealth Building Legislative Agenda Gets Traction*

Richmond, VA - February 25, 2017 – The Virginia General Assembly budget for FY 2018 includes \$7.5 million for a groundbreaking poverty fighting measure pioneered by several Virginia First Cities' members, including Charlottesville, Richmond, Norfolk, and Lynchburg.

The Virginia Community Wealth Building Grant Fund will be administered by the Virginia Department of Social Services and available to assist localities that undertake holistic measures designed to move individuals and families into employment and sustainability.

Kristin Szakos, Chair of Virginia First Cities and a member of the Charlottesville City Council said, *"Creating vibrant, strong communities means taking a hard look at all members of society and providing supports that are life-changing and sustaining for those who have been left out of our growing economy. Our cities have incubated the Community Wealth Building approach to fighting poverty and we've witnessed the change when government, non-profits, and other community partners join forces to move the needle. We are enormously thankful to the General Assembly for their recognition, and now their contribution, so that this approach may be modeled in other localities"*

Kelly Harris-Braxton, Executive Director of VFC said, *"Our thanks to the bipartisan coalition that worked so hard to enable the funding for the Community Wealth Building Fund and other VFC proposals. From Senators Hanger and Ruff, to Delegates Peace and Sickles, and the members of the Virginia Legislative Black Caucus, our sincere thanks for your important work."*

Virginia First Cities' advocacy efforts on behalf of its 12 members met with resounding success this session. Virginia First Cities' community wealth building-themed legislative program and the state budget adopted by the 2017 General Assembly includes:

#### **Urban Revitalization**

- Restored funding for the Virginia Brownfields Remediation Program
- Restored funding for the Virginia Enterprise Zone Program
- Aid to Local Police Departments funded at the Governor's Introduced Budget level

#### **At-Risk Education**

- \$1 million in FY18 for Master Teacher Residency programs
- Removal of budget language that cut funding to schools making progress and achieving accreditation in the Extended Day/ Year Funding Program (also known as Year Round Schools).

Appendix:  
Key School Division Data (FY 2014)

School Division	Per Pupil All Sources	% Above Required Local Effort	Composite Index of Ability-to-Pay	Average Daily Membership ADM Enrollment	Free/Reduced Price Lunch	Average Teacher Salary	Student- Teacher Ratio	Below Benchmark (Fall of K)	Dropout Rate
Newport News	\$ 10,563	110%	0.2934	27,746	61%	\$ 49,682	14.1	8%	2.8
Norfolk	\$ 10,671	91%	0.3102	28,907	67%	\$ 49,908	11.9	9%	8.0
Norton	\$ 9,353	47%	0.3274	820	60%	\$ 41,463	12.6	22%	4.6
Petersburg	\$ 10,906	44%	0.2515	4,074	83%	\$ 42,150	12.0	11%	8.7
Portsmouth	\$ 10,206	86%	0.2755	14,048	63%	\$ 38,872	10.5	13%	6.4
Radford	\$ 9,387	84%	0.2630	1,574	42%	\$ 50,428	13.2	22%	3.9
Richmond	\$ 12,731	90%	0.4779	21,782	74%	\$ 50,148	11.1	22%	13.6
Roanoke	\$ 11,840	133%	0.3728	12,657	73%	\$ 50,508	12.4	21%	12.2
Staunton	\$ 10,086	88%	0.3987	2,526	55%	\$ 45,730	11.8	18%	3.5
Suffolk	\$ 9,437	66%	0.3530	13,904	47%	\$ 49,809	13.6	9%	8.8
Virginia Beach	\$ 10,825	121%	0.4110	68,853	36%	\$ 56,048	14.7	9%	4.8
Waynesboro	\$ 10,472	120%	0.3690	2,989	57%	\$ 47,484	11.6	15%	2.4
Williamsburg/James City	\$ 10,974	61%	0.8000	10,964	31%	\$ 52,920	13.2	6%	4.0
Winchester	\$ 12,126	134%	0.4645	4,106	58%	\$ 53,910	11.3	31%	6.4
Franklin	\$ 12,925	103%	0.3276	1,166	76%	\$ 46,430	10.1	26%	10.0
Chesapeake	\$ 10,692	115%	0.3678	38,735	35%	\$ 56,484	14.0	9%	2.9
Lexington	\$ 9,089	52%	0.5059	669	18%	\$ 39,402	10.3	12%	
Salem	\$ 11,057	143%	0.3628	3,761	32%	\$ 55,115	13.4	10%	3.5
Poquoson	\$ 9,511	98%	0.3816	2,116	15%	\$ 45,887	13.0	9%	2.1
Manassas	\$ 12,729	172%	0.3599	6,928	59%	\$ 52,534	12.5	29%	4.8
Manassas Park	\$ 10,527	103%	0.2600	3,077	58%	\$ 58,089	14.3	21%	9.2
<b>TOWNS</b>									
Colonial Beach	\$ 11,658	66%	0.3527	549	56%	\$ 41,498	10.6	21%	5.2
West Point	\$ 11,127	218%	0.2838	787	30%	\$ 37,914	8.8	9%	0.0
<b>Division Average</b>	<b>\$ 10,865</b>	<b>84%</b>	<b>0.3959</b>	<b>9,319</b>	<b>50%</b>	<b>\$ 47,856</b>	<b>12.1</b>	<b>14%</b>	<b>5.6</b>
<b>Division Median</b>	<b>\$ 10,387</b>	<b>77%</b>	<b>0.3600</b>	<b>3,786</b>	<b>51%</b>	<b>\$ 47,457</b>	<b>12.1</b>	<b>13%</b>	<b>5.4</b>

\*Most data is reported jointly for jointly-operated school divisions. For Required Local Effort and Composite Index, which are reported separately, for purposes of this table, the division listed first only is shown.

Appendix:  
Key School Division Data (FY 2014)

School Division	Per Pupil All Sources	% Above Required Local Effort	Composite Index of Ability-to-Pay	Average Daily Membership ADM Enrollment	Eligibility Free/Reduced Price Lunch	Average Teacher Salary	Student- Teacher Ratio	Below Benchmark (Fall of K)	Dropout Rate
Rappahannock	\$ 13,715	76%	0.8000	893	35%	\$ 51,519	11.1	23%	1.6
Richmond	\$ 11,032	77%	0.3598	1,219	55%	\$ 49,185	12.8	16%	2.1
Roanoke	\$ 9,701	104%	0.3657	13,923	27%	\$ 49,968	12.7	10%	3.5
Rockbridge	\$ 10,617	82%	0.4903	2,538	44%	\$ 45,971	10.9	17%	14.9
Rockingham	\$ 10,094	139%	0.3675	11,301	40%	\$ 47,503	12.3	10%	4.1
Russell	\$ 9,241	28%	0.2430	3,935	57%	\$ 38,804	12.6	14%	5.3
Scott	\$ 8,968	13%	0.1831	3,627	59%	\$ 45,962	11.7	13%	4.6
Shenandoah	\$ 9,561	85%	0.3706	6,019	44%	\$ 46,694	12.3	14%	2.1
Smyth	\$ 9,630	45%	0.2178	4,608	58%	\$ 43,259	11.0	12%	5.9
Southampton	\$ 10,045	68%	0.3171	2,725	49%	\$ 43,177	14.3	14%	9.3
Spotsylvania	\$ 9,974	121%	0.3326	23,308	36%	\$ 53,178	14.7	14%	4.6
Stafford	\$ 10,063	124%	0.3305	26,898	27%	\$ 53,081	14.2	10%	5.4
Surry	\$ 15,340	137%	0.7642	887	64%	\$ 50,198	7.7	9%	7.1
Sussex	\$ 17,017	221%	0.3375	1,092	82%	\$ 52,978	11.1	12%	2.4
Tazewell	\$ 8,971	9%	0.2695	6,156	52%	\$ 38,762	11.8	17%	6.4
Warren	\$ 9,649	84%	0.3890	5,390	41%	\$ 47,916	13.3	13%	2.7
Washington	\$ 10,108	109%	0.3533	7,147	46%	\$ 47,414	12.4	9%	3.1
Westmoreland	\$ 10,728	54%	0.4649	1,582	74%	\$ 44,675	11.3	11%	8.2
Wise	\$ 9,695	102%	0.2045	5,907	60%	\$ 49,693	12.8	17%	5.0
Wythe	\$ 9,458	65%	0.3204	4,162	43%	\$ 47,288	13.2	16%	8.6
York	\$ 8,896	81%	0.4049	12,266	21%	\$ 49,883	14.4	6%	2.5
<b>CITIES</b>									
Alexandria	\$ 17,845	184%	0.8000	13,220	60%	\$ 72,942	11.5	13%	9.2
Bristol	\$ 10,402	45%	0.3190	2,200	65%	\$ 43,926	10.5	15%	5.5
Buena Vista	\$ 9,709	63%	0.1895	1,000	51%	\$ 40,483	11.3	16%	9.1
Charlottesville	\$ 14,911	154%	0.6861	4,012	63%	\$ 54,886	10.4	14%	5.6
Colonial Heights	\$ 12,645	172%	0.4448	2,796	43%	\$ 51,300	10.7	12%	2.6
Covington	\$ 11,266	152%	0.2775	898	54%	\$ 51,141	11.5	33%	13.5
Danville	\$ 10,598	89%	0.2653	5,955	77%	\$ 47,879	12.6	17%	5.4
Falls Church	\$ 17,077	171%	0.8900	2,392	10%	\$ 66,589	10.6	4%	0.5
Fredericksburg	\$ 13,262	134%	0.6511	3,238	54%	\$ 49,493	11.7	16%	12.9
Galax	\$ 10,015	71%	0.2725	1,264	65%	\$ 46,328	12.0	23%	2.1
Hampton	\$ 10,426	88%	0.2912	20,139	58%	\$ 47,516	12.8	7%	4.9
Harrisonburg	\$ 11,706	102%	0.4274	5,016	71%	\$ 43,974	9.8	18%	7.8
Hopewell	\$ 10,260	73%	0.2376	3,944	77%	\$ 48,013	12.2	15%	11.1
Lynchburg	\$ 10,789	103%	0.3727	8,115	63%	\$ 39,037	9.9	13%	8.8
Martinsville	\$ 10,920	111%	0.2175	2,108	75%	\$ 43,210	11.4	25%	8.0



Appendix  
Key School Division Data (FY 2014)

School Division	Per Pupil All Sources	% Above Required Local Effort	Composite Index of Ability-to-Pay	Average Daily Membership ADM Enrollment	Eligibility Free/Reduced Price Lunch	Average Teacher Salary	Student- Teacher Ratio	Below Benchmark (Fall of K)	Dropout Rate
Goodland	\$ 11,089	80%	0.8000	2,387	28%	\$ 48,187	12.4	8%	1.6
Grayson	\$ 12,096	38%	0.3385	1,744	62%	\$ 37,245	8.7	26%	9.0
Greene	\$ 9,376	73%	0.3724	2,988	38%	\$ 44,856	12.1	10%	2.7
Greenville/Emporia*	\$ 9,753	28%	0.2174	2,438	71%	\$ 46,397	12.2	13%	10.9
Halifax	\$ 9,596	34%	0.2943	5,202	59%	\$ 38,883	10.1	9%	6.2
Hanover	\$ 9,049	59%	0.4203	17,928	21%	\$ 48,334	12.3	6%	2.2
Henrico	\$ 8,978	89%	0.4275	49,271	40%	\$ 50,428	14.3	12%	5.6
Henry	\$ 9,528	39%	0.2430	6,977	66%	\$ 44,957	13.5	16%	5.6
Highland	\$ 18,034	23%	0.8000	190	61%	\$ 45,253	7.3	0%	10.5
Isle Of Wight	\$ 9,867	69%	0.4258	5,301	37%	\$ 54,956	14.2	7%	3.6
King George	\$ 8,591	54%	0.3787	4,179	33%	\$ 47,457	14.4	8%	5.1
King & Queen	\$ 12,681	74%	0.4469	769	69%	\$ 47,586	11.7	11%	5.9
King William	\$ 10,038	100%	0.3375	2,204	35%	\$ 48,618	13.1	14%	2.0
Lancaster	\$ 11,812	77%	0.7934	1,164	72%	\$ 47,480	11.4	12%	5.8
Lee	\$ 10,061	10%	0.1826	3,183	57%	\$ 39,243	10.5	22%	6.1
Loudoun	\$ 12,611	138%	0.5666	70,019	17%	\$ 61,485	13.3	8%	2.4
Louisa	\$ 11,528	70%	0.5559	4,617	47%	\$ 48,671	11.7	9%	8.9
Lunenburg	\$ 9,933	24%	0.2535	1,490	59%	\$ 44,401	11.9	17%	7.3
Madison	\$ 12,039	136%	0.4486	1,795	41%	\$ 44,490	11.1	15%	0.6
Mathews	\$ 10,874	58%	0.5589	1,143	40%	\$ 44,931	11.2	11%	5.8
Mecklenburg	\$ 9,347	29%	0.3550	4,442	62%	\$ 43,750	12.4	9%	4.8
Middlesex	\$ 8,519	36%	0.7232	1,152	51%	\$ 43,881	11.3	21%	2.8
Montgomery	\$ 10,083	80%	0.4053	9,483	38%	\$ 47,338	12.3	16%	5.5
Nelson	\$ 12,489	102%	0.5928	1,906	51%	\$ 50,967	11.9	25%	5.3
New Kent	\$ 9,227	82%	0.4414	2,882	22%	\$ 46,996	13.1	9%	4.9
Northampton	\$ 12,431	31%	0.5103	1,556	75%	\$ 41,427	10.3	11%	6.4
Northumberland	\$ 10,980	56%	0.8000	1,357	56%	\$ 48,024	12.0	12%	10.6
Nottoway	\$ 9,539	27%	0.2447	2,147	64%	\$ 47,793	13.0	11%	6.1
Orange	\$ 9,314	53%	0.3842	4,945	43%	\$ 47,465	14.0	13%	2.5
Page	\$ 9,504	65%	0.3143	3,331	52%	\$ 43,368	11.8	18%	1.5
Patrick	\$ 9,157	11%	0.2865	2,718	56%	\$ 42,447	13.3	26%	7.5
Pittsylvania	\$ 8,886	23%	0.2475	8,927	54%	\$ 40,865	12.1	16%	7.7
Powhatan	\$ 10,143	108%	0.4230	4,182	18%	\$ 51,846	13.4	13%	4.2
Prince Edward	\$ 10,987	96%	0.3265	2,125	69%	\$ 42,916	10.4	14%	9.8
Prince George	\$ 9,397	45%	0.2513	6,199	40%	\$ 51,816	13.6	20%	8.5
Prince William	\$ 10,445	99%	0.3787	82,674	39%	\$ 62,046	16.5	16%	6.5
Pulaski	\$ 10,153	65%	0.3052	4,317	51%	\$ 45,209	11.9	23%	6.8

Appendix:  
Key School Division Data (FY 2014)

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<b>COUNTIES</b>									
Accomack	\$ 10,042	Not Rptd	0.3719	4,964	71%	Not Rptd	11.0	17%	5.0
Albemarle	\$ 12,775	140%	0.6502	12,961	28%	\$ 54,586	11.3	15%	2.2
Alleghany	\$ 11,005	180%	0.2297	2,402	45%	\$ 47,477	10.6	8%	6.8
Amelia	\$ 9,917	45%	0.3473	1,734	49%	\$ 49,019	14.3	15%	5.3
Amherst	\$ 10,386	94%	0.3075	4,085	51%	\$ 45,527	10.7	9%	4.8
Appomattox	\$ 8,704	15%	0.2945	2,251	47%	\$ 39,904	12.7	6%	3.8
Arlington	\$ 19,400	194%	0.8000	22,418	32%	\$ 73,846	9.7	4%	5.5
Augusta	\$ 9,348	77%	0.3627	10,329	40%	\$ 47,061	12.6	12%	3.7
Bath	\$ 16,576	119%	0.8000	601	44%	\$ 46,784	9.4	17%	9.1
Bedford County/City*	\$ 9,300	87%	0.3132	10,024	37%	\$ 43,653	12.5	12%	6.5
Bland	\$ 10,521	38%	0.3029	854	40%	\$ 43,776	11.5	19%	7.6
Botetourt	\$ 10,506	133%	0.3710	4,771	22%	\$ 51,189	12.7	9%	1.9
Brunswick	\$ 11,226	18%	0.2837	1,847	81%	\$ 41,712	11.7	22%	9.0
Buchanan	\$ 10,950	74%	0.3283	3,076	68%	\$ 39,840	10.3	23%	5.8
Buckingham	\$ 10,553	37%	0.3104	1,984	69%	\$ 42,193	11.8	12%	6.0
Campbell	\$ 8,890	113%	0.2655	7,926	44%	\$ 43,257	12.6	5%	4.5
Caroline	\$ 9,145	37%	0.3306	4,231	53%	\$ 47,144	15.0	10%	4.9
Carroll	\$ 10,351	102%	0.2831	3,811	58%	\$ 44,042	11.8	11%	5.2
Charles City	\$ 13,209	95%	0.4483	703	58%	\$ 45,722	10.1	8%	2.1
Charlotte	\$ 11,369	35%	0.2365	1,885	57%	\$ 44,298	10.1	20%	3.0
Chesterfield	\$ 9,023	82%	0.3539	58,523	33%	\$ 50,087	14.8	12%	5.5
Clarke	\$ 10,556	102%	0.4892	1,997	20%	\$ 50,728	13.1	10%	0.0
Craig	\$ 10,329	38%	0.3163	684	51%	\$ 45,277	12.5	23%	5.5
Culpeper	\$ 9,222	50%	0.3668	7,878	45%	\$ 48,759	13.3	13%	3.6
Cumberland	\$ 10,546	70%	0.2971	1,332	66%	\$ 48,069	12.1	10%	4.4
Dickenson	\$ 10,755	63%	0.2547	2,221	56%	\$ 38,948	11.8	13%	7.5
Dinwiddie	\$ 9,581	71%	0.2850	4,403	51%	\$ 47,901	13.5	19%	9.7
Essex	\$ 10,329	49%	0.4364	1,485	70%	\$ 45,007	11.4	26%	7.1
Fairfax County/City*	\$ 14,133	128%	0.6789	179,387	28%	\$ 64,580	12.4	15%	5.4
Fauquier	\$ 11,920	112%	0.5377	10,989	24%	\$ 56,267	12.5	18%	2.1
Floyd	\$ 9,771	46%	0.3440	2,009	47%	\$ 44,747	13.4	16%	5.0
Fluvanna	\$ 9,218	66%	0.3924	3,562	31%	\$ 50,524	13.7	7%	2.9
Franklin	\$ 10,387	64%	0.4181	7,025	50%	\$ 44,974	12.6	11%	6.5
Frederick	\$ 10,483	124%	0.3601	12,973	35%	\$ 50,689	13.6	17%	4.6
Giles	\$ 9,502	45%	0.2706	2,460	45%	\$ 40,759	11.5	30%	6.7
Gloucester	\$ 9,767	96%	0.3798	5,445	37%	\$ 49,567	13.5	11%	3.4

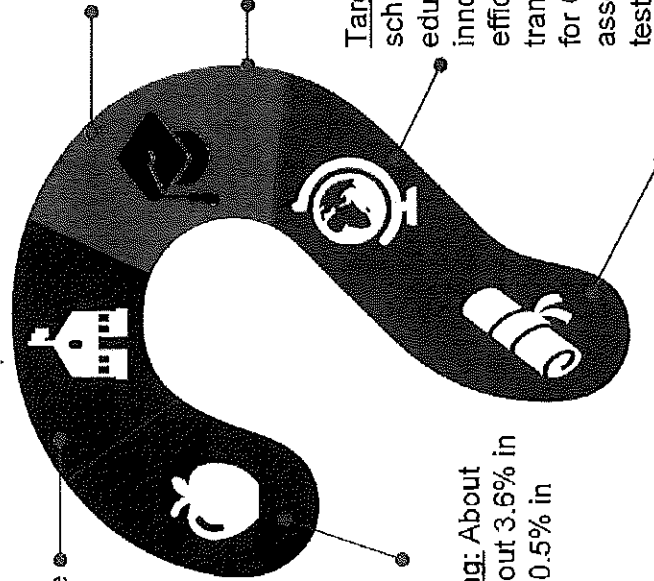
# Looking to the 2016-18 Biennium and Beyond

What are options for how state dollars for K-12 should be directed?

## Better Recognize Prevailing Practice/Improve Funding Equity:

Such as exclude technology positions from the support cap, recognize more kindergarten aides, smaller classes, assistant principals, etc.

Teacher Salaries/Turnover: Ex. A first year salary increase of 1% would cost state approx. \$40 million/year; may want to consider local share impact by pairing with other state support.



Lottery Proceeds: Restore flexibility (in FY 2008 was \$150 million/year, with half for non-recurring expenses).

## Literary Fund School Construction:

Direct more to school construction loans (rather than retirement costs, currently \$165 million in FY 2016 base budget).

Targeted: Continue efforts on low performing schools, workforce/career and technical education, virtual education, incentivizing innovation, STEAM Academy. Support efficiency reviews, provide facilities and transportation expertise (JLARC). Requests for Governors' Schools, PISA international assessment participation, computer adaptive testing.

Re-benchmarking: About \$477 million (About 3.6% in first year, about 0.5% in second year).

Early Childhood/School Readiness: Quality improvement in preschool and childcare, state capacity for technical assistance and evaluation, reduce unmet need for home visiting.

## Other Formula Changes:

Cost of competing, LCI land use or other adjustments, re-examine other cost practices and options.



# School Readiness

## *Update on Joint Subcommittee on Pre-K*

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- The Joint Subcommittee on the Virginia Preschool Initiative (VPI) recommends extending its work into 2016. Key themes so far have included:
  - Reforming student income eligibility criteria to ensure that in all school divisions the neediest students are served first and are the target of limited state dollars.
    - Other states have income eligibility requirements, usually with flexibility.
  - Understanding the barriers to expanding a “mixed delivery” model, rather than primarily serving young children in public school settings.
    - Looking to other states that have had success with private providers.
  - Re-examining minimum VPI teacher qualifications (B.A. or other) and addressing related workforce issues.
  - Looking broadly at the continuum of early childhood (birth through age four).
  - Improving data, evaluation, and research; and
  - State capacity.



# Most Cost Effective Strategies

## *What the Research Suggests*

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- Even with budget challenges, in recent years the General Assembly has made targeted research-based investments in education, including those related to:
  - Third grade reading,
  - Extended school year, and
  - Other efforts to improve low performing schools, including teacher residency programs, the Achievable Dream model, and Communities in Schools' support services.
- Last month, JLARC presented to the Senate Finance Committee its key takeaways of over 200 recent (high quality) studies to help identify additional opportunities to improve the quality of education students receive in consideration of the funds spent:
  - 1) **Teaching:** Quality of teaching is the most important in-school factor.
    - Identify early and reduce turnover of most effective teachers as well as improve others.
  - 2) **Low Performing Students:** Improving low achievement is cost-effective.
- Other legislative efforts to continue to improve efficiency and effectiveness include:
  - **Consolidation.** The Commission on Local Government just completed its work on incentives.
  - **School Readiness.** The new legislative Joint Subcommittee on the Virginia Preschool Initiative met four times in 2015 and heard a wide range of viewpoints on early childhood and school readiness.



# Local School Division Budget Reduction Strategies

## *Fewer Positions*

- School divisions make different budget decisions depending on their local circumstances. Many reduced the number of staff, limited salary increases and deferred facilities projects and maintenance.
  - 43 buildings were closed, mostly elementary schools.

<b>Actions Implemented Since 2008</b>	<b># of School Divisions (112 responses out of 132)</b>
Reduced number of staff (5,138 teachers, 4,485 support staff, and 557 school- and division-level administrators)	At least 103 (out of 112 responding)
Reduced Professional Development	At least 85
Increased class sizes (average largest class sizes of 26 for elementary, 29 for middle, and 30 for high school)	At least 79
Reduced benefits	At least 49
Reduced clubs/athletics	At least 32
Reduced pay	At least 22
Source: Spring 2015 survey by the Virginia Association of School Superintendents	



# Lower Wealth School Divisions Lose More Per Pupil From Reductions in SOQ Funding

- State reductions tend to disproportionately impact lower wealth school divisions (just as state increases drive more dollars per student to lower LCI divisions). Example using the support positions cap:

All Are Per Pupil Amounts	FY 2010 Reduction Due to Support Cap	Total State Aid (FY 2010)	Total Funding All Sources (FY 2010)
All Divisions	(\$283)	\$4,921	\$11,020
Divisions with LCI < 0.3000	(\$377)	\$6,725	\$10,403
Divisions with LCI > 0.6000	(\$147)	\$3,344	\$13,558

- The General Assembly avoided cuts to programs targeted to at-risk students, and also limited reductions to K12, especially in the 2014 round of budget reductions.



## Key Funding Changes During the Great Recession - Primarily Technical Refinements to Cost Formulas

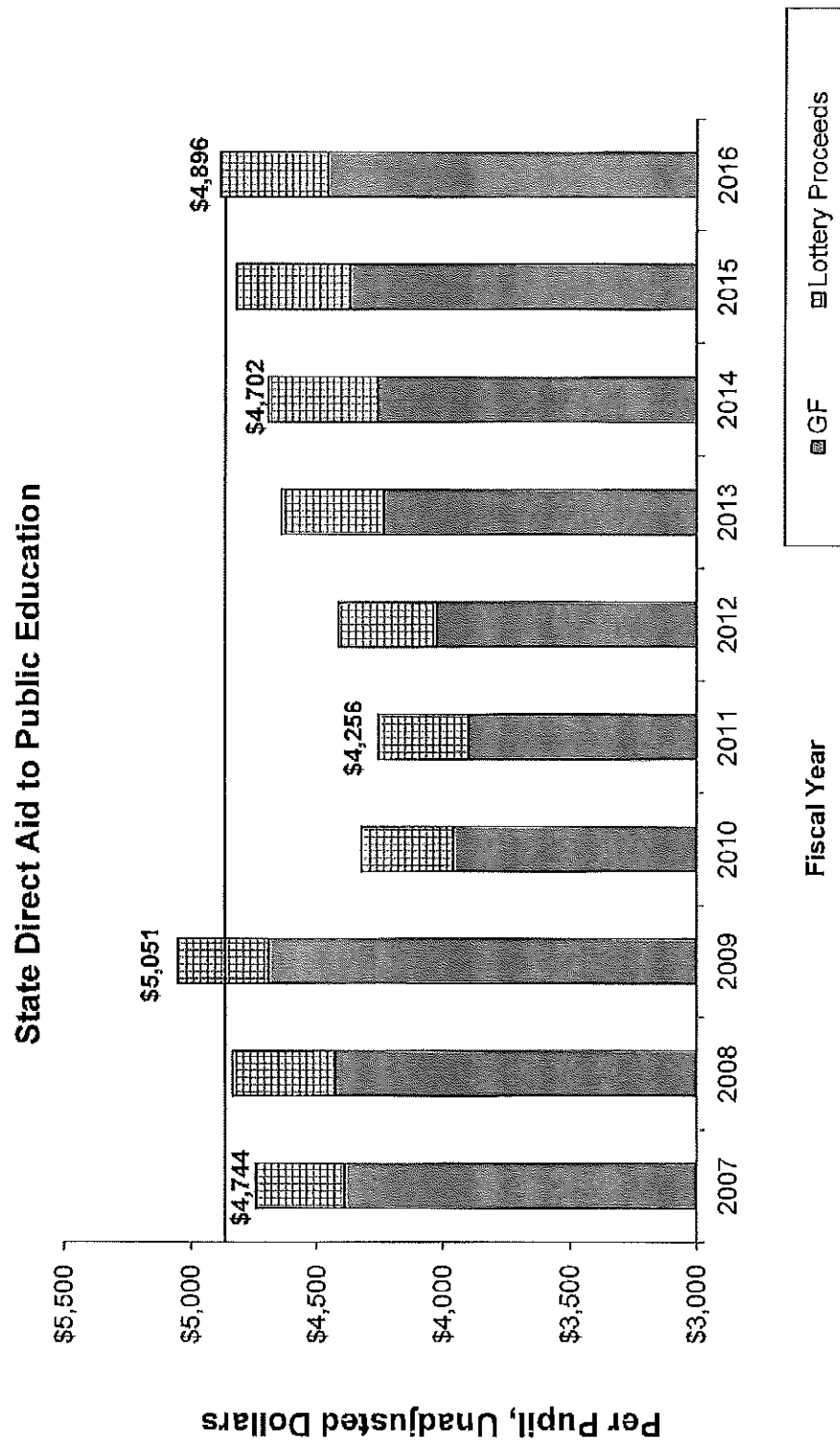
- Range of options considered during the Great Recession:
  - Allowing more local flexibility by reducing minimum required staffing levels or standards, scaling back, or eliminating programs (i.e. “doing less”);
  - Finding more efficiencies in the delivery of services; or
  - Redefining responsibility for cost sharing between the state and localities.
    - Most of the state’s actions were changes to recognized costs or other calculations.

Key State Funding Policy Changes From 2009-2012		Biennial (\$ in millions)
Cap funding for support positions (O&M, technology, school-based clerical, attendance and health, other)		(\$754)
Adjust health care for participation rates; include \$0 values in Linear Weighted Average calculation; update federal deduct percentage		(\$382)
Eliminate certain school expenditures from SOQ calculation (certain equipment, travel, misc.)		(\$244)
Eliminate school construction grants, and eliminate Lottery support for school construction and operating costs		(\$122)
Reduce funding for K-3 class size program; use Kindergarten enrollment as proxy for four-year-olds for VPI; extend the funded school bus replacement cycle from 12 to 15 years; eliminate enrollment loss assistance		(\$98)

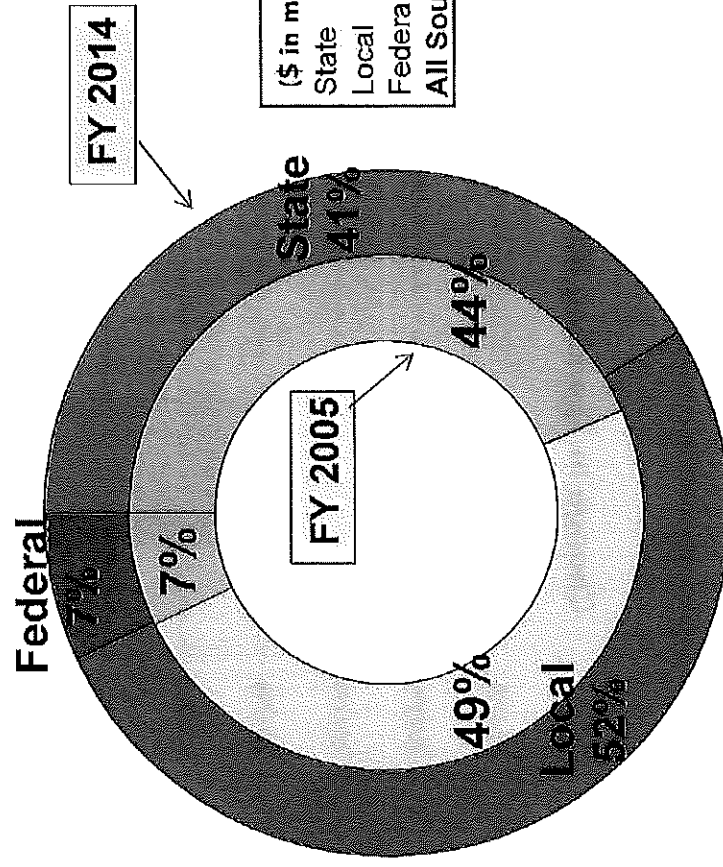




**FY 2007 – FY 2016: Unadjusted for Inflation,  
FY 2016 State Per Pupil Funding is 3.2% Above FY 2007**



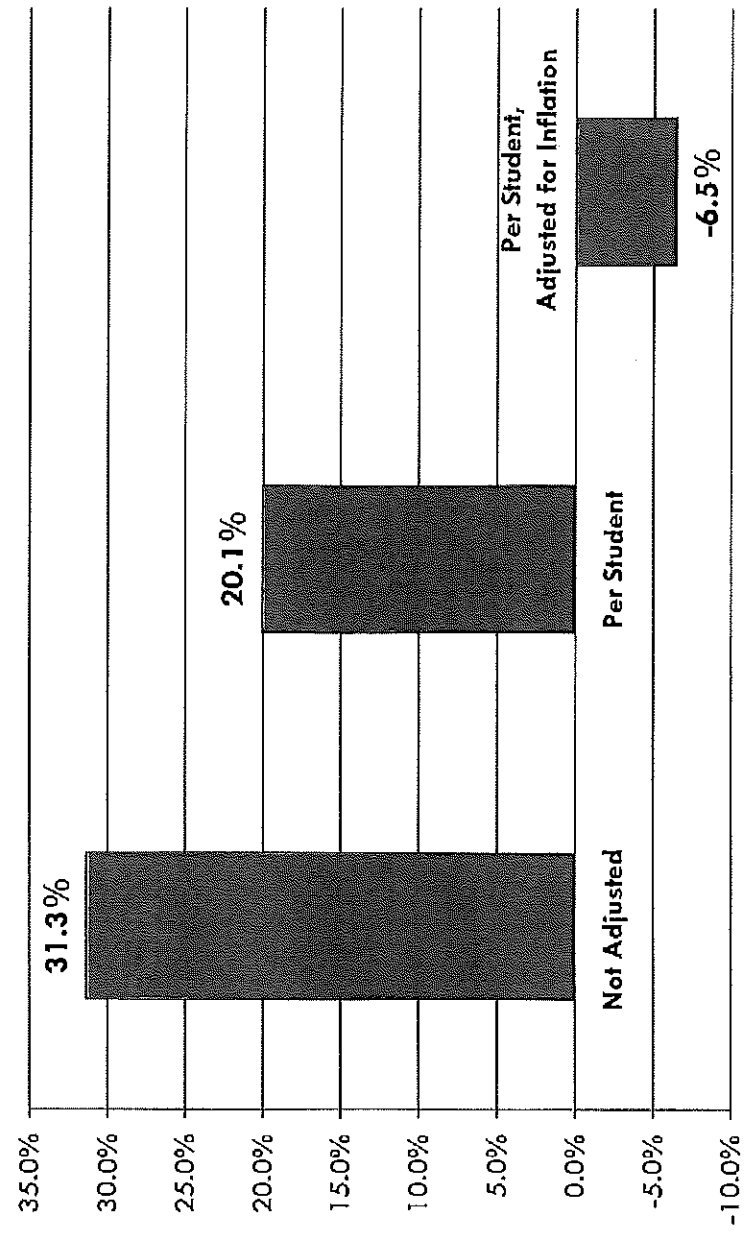
# FY 2005 – FY 2014: Shift in State-Local Shares



	2005	2014	Change
State	\$4,722.4	\$5,870.8	24%
Local	5,350.2	7,376.9	38%
Federal	773.8	993.8	28%
<b>All Sources</b>	<b>\$10,846.4</b>	<b>\$14,241.5</b>	<b>31%</b>

# **FY 2005 - 2014: Total (State, Local & Federal) Per Pupil Spending Has Not Kept Up with Inflation**

**Change in Spending Measures from FY 2005 to FY 2014**



Source: Data set used in 2015 JLARC Report on K-12 Spending



# 2016-18 Re-benchmarking

- Re-benchmarking is the formula-driven cost adjustment to meet the SOQ minimum staffing requirements and related support services and updates, from FY 2012 to FY 2014 base year actual data, to the Direct Aid accounts.
- The partial estimate of \$387.8 million (as of September) has since been updated to \$477.1 million, with some remaining data to be updated prior to the introduced budget.

\$ in millions	Direct Aid	Prelim. (Increase Over Base)	Plus VRS Rates	Plus Composite Index	Subtotal To Date	Incr. Over Prior Year
FY 2016 Base Budget	<b>\$6,259.3</b>					
FY 2017	6,438.0	\$178.7	\$19.3	\$25.2		<b>3.6%</b>
FY 2018	6,468.4	<u>209.1</u>	<u>\$19.4</u>	<u>25.4</u>		<b>0.5%</b>
Biennial		\$387.8	\$38.7	\$50.6	<b>\$477.1</b>	

- Of the approximately 27 steps to-date, the biggest cost drivers are salaries, the “federal revenue deduct”, health care, inflation, and enrollment.
  - Other factors include free lunch eligibility, textbooks, and transportation.
  - The number of distinct Career and Technical Education courses offered declined.



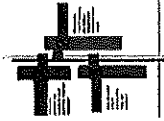
# 91% of Direct Aid Funds SOQ Accounts

- As more programs have been funded with Lottery Proceeds, the distinctions between the categories has become less meaningful.

State Direct Aid to Public Education	FY 2016 (\$ in millions)
<b>Standards of Quality (SOQ) Accounts</b>	
Basic Aid (\$3.1B), Sales Tax (\$1.3B), Textbooks (\$21.9M), CTE/Gifted/Special Ed/ Intervention, VRS/Social Security/Group Life, Remedial Summer School	\$5,573.4
<b>Lottery Proceeds-Funded Accounts (SOQ and Incentive)</b>	
SOQ Textbooks (\$44.9M), ESL (\$50.8M); Regional Special and Alt. Ed, K-3 Class Size, Preschool, At-Risk, Algebra Readiness, Early Intervention Reading, Project Graduation, CTE Equipment, School Breakfast	\$531.7
<b>Other Incentive Accounts (generally optional to locals with required match)</b>	
Compensation Supplement (\$52.4M), Governor's Schools (\$16.1M), Math/Reading Instructional Specialist, Special Ed, School Breakfast	\$74.8
<b>Categorical Accounts (generally required by federal or state law)</b>	
Special Ed State Operated Programs (\$33.7M), Adult Ed, School Lunch, Virtual Virginia	\$56.9
<b>Supplemental Accounts (generally not distributed to school divisions)</b>	
Extended School Year Grants (\$7.8M), National Board Certification Bonuses (\$5.9M), Teaching Scholarships, Teach for America, Communities in Schools, Project Discovery, Jobs for Virginia Graduates, CTE Resource Center, GRASP, Regional Consortia	\$22.5
	<b>\$6,259.3</b>







# Components of the Composite Index of Local Ability-to-Pay

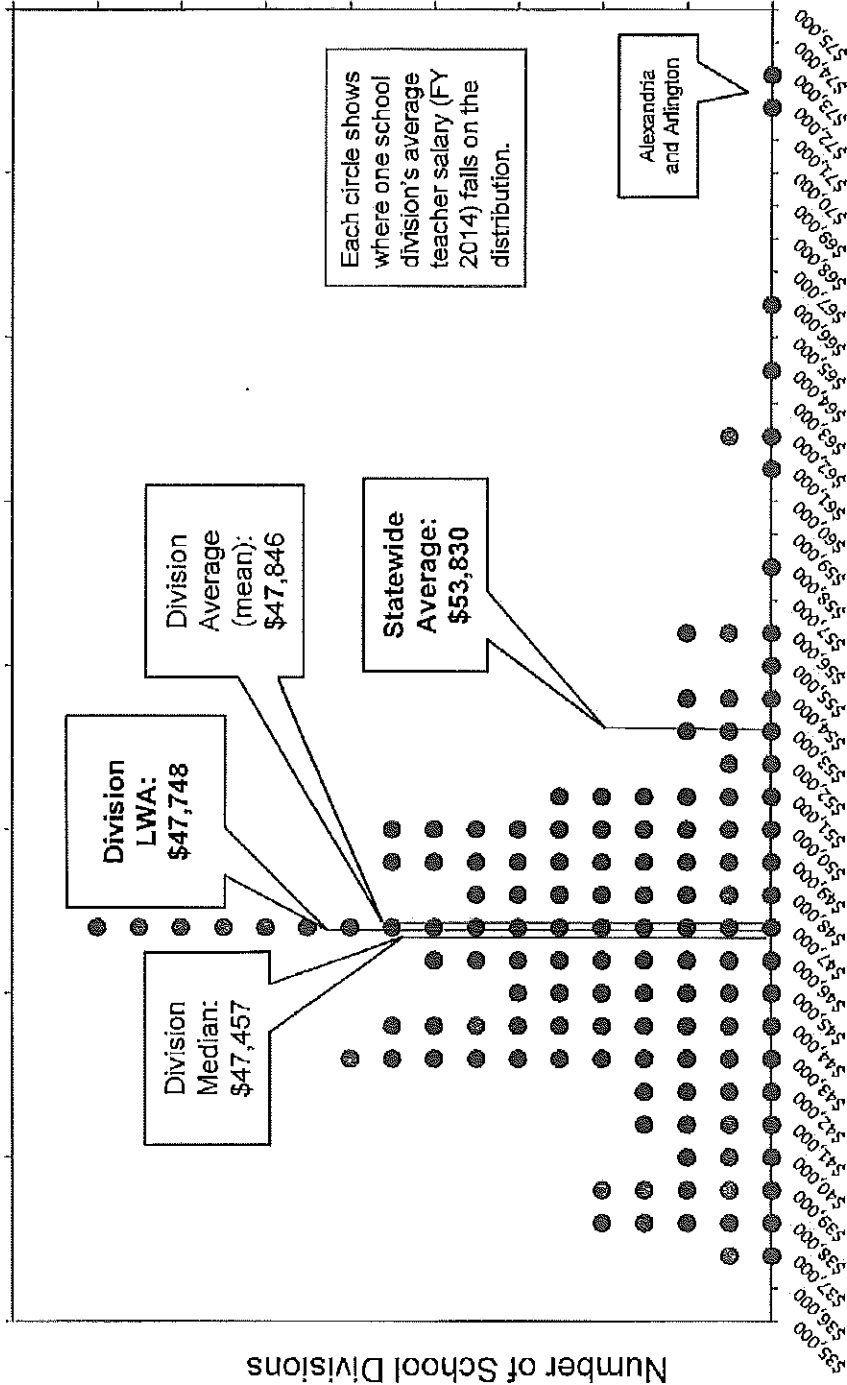
<b>Tax Year 2011 (for 2014-16 LCI)</b>	<b>Statewide</b>	<b>Per Capita Weighted One-Third</b>	<b>Per Student Weighted Two-Thirds</b>
<b>True Value of Property</b> Weighted 50%	\$1.05 trillion	\$129,452	\$862,388
<b>Adjusted Gross Income</b> (including non-resident) Weighted 40%	\$231.7 billion	\$28,617	\$190,645
<b>Taxable Sales</b> Weighted 10%	\$89.0 billion	\$10,997	\$73,257

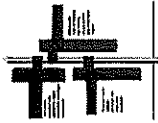




# Prevailing Cost: Level Around Which Most Tend to Cluster

- Since the mid-1980s, the SOQ funding framework has relied on a Linear Weighted Average (LWA), with the division as the unit of analysis, as the best measure of "expenditure levels around which most school divisions tend to cluster."





# Funded Minimum Staffing

## SOQ Funds Less Than 70% of Actual Reported Positions

Basic Instructional Standards in Standard 2 of the Standards of Quality Funded through SOQ Basic Aid						
Maximum Class Sizes & Schoolwide/Divisionwide Ratios				School-level Positions Staffing		
Grade	Maximum Class Sizes	Pupil-Teacher Ratio	Divisionwide Pupil-Teacher Ratio	Divisionwide English Teacher Ratio	Guidance Counselor	Librarian
K	24; 29 w/aide	21 to 1	24 to 1	24 to 1	.20 per 100 students (500 to 1)	less than 300 students = .50; 300 or greater students = 1.0
1	30					
2	30					
3	30					
4	35	25 to 1	25 to 1	24 to 1	.20 per 80 students (400 to 1)	less than 300 students = .50; 300 or greater students = 1.0
5	35					
6	35					
7	35					
8		21 to 1	24 to 1	24 to 1	.20 per 70 students (350 to 1)	less than 300 students = .50; 300 or greater students = 1.0
9						
10						
11						
12						

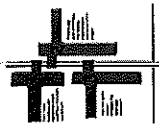
\*Funding for Basic Instructional Standards includes a minimum floor number of positions of 51 per 1,000 students.

### Other funded divisionwide SOQ standards:

5.0 elementary resource teachers in art, music, and physical education per 1,000 students in grades kindergarten through 5.

1.0 technology support position and 1.0 instructional technology position per 1,000 students in grades kindergarten through 12.





# Funding Framework

Based on the number of students enrolled by school by grade.

Of the recognized costs, average state share is 55 percent, based on the Composite Index.

A key exception is the distribution of sales tax based only on school-aged population (NOT equalized through Composite Index).

How many positions are needed to meet quantified minimum standards?

Shares

How are costs shared between the state and localities?

2

What is the cost of meeting the staffing requirements and associated costs?

Cost

Since spending in part reflects local decisions, rather than simply reimburse spending, the model is intended to recognize reasonable costs based on what most school divisions spend, **with some adjustments.**



## Virginia's Constitution Tasks the General Assembly With Determining Education Costs and Shares

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- Pursuant to the Constitution of Virginia, public education is a shared responsibility of the state and localities.
  - Article VIII, Sections 1 and 2:
    - The General Assembly has responsibility to provide a system of free public schools for all children and to ensure that an educational program of high quality is established and continually maintained.
    - The State Board of Education must prescribe the Standards of Quality (SOQ) for the school divisions, subject to revision only by the General Assembly.
    - The General Assembly decides what the costs are and how they will be shared between the state and localities.





# Virginia Compares Favorably to Other 50 States on Key Outcomes Measures, But Gaps Remain

Education Indicators (ordered so that #1 is understood to be best)		1-10	11-20	21-30	31-40	41-50
<u>Virginia Performs (Council on Virginia's Future Initiative, Updated June 29, 2015)</u>						
4 <sup>th</sup> Grade Reading	6 <sup>th</sup>					
4 <sup>th</sup> Grade Math	12 <sup>th</sup>					
High School Graduation	20 <sup>th</sup>					
High School Dropout	5 <sup>th</sup>					
College Grad (Bachelor's)	8 <sup>th</sup>					
College Grad (Associate's)	23 <sup>rd</sup>					
% of Adults w/ High School Completion	28 <sup>th</sup>					
% of Adults w/ Bachelor's Degree or Better	6 <sup>th</sup>					
<u>Quality Counts 2015 (Education Week national education newspaper), Selected Indicators</u>						
K-12 Achievement Index	10 <sup>th</sup>					
8 <sup>th</sup> Grade Reading	22 <sup>nd</sup>					
Math 8 <sup>th</sup> Grade Poverty Gap	39 <sup>th</sup>					
High Advanced Placement Test Scores	2 <sup>nd</sup>					



## There is no “average” Virginia school division

KEY SCHOOL DIVISION DATA*	Average	Division Average	Division Median	Lowest	Highest
Number of Students (ADM Enrollment)		9,319	3,786	190 (Highland)	179,387 (Fairfax)
Per Pupil (PP), All Sources	\$11,242	\$10,865	\$10,387	\$8,591 (King George)	\$19,400 (Arlington)
Average Teacher Salary	\$53,830	\$47,856	\$47,457	\$37,245 (Grayson)	\$73,846 (Arlington)
% of Spending Above Required Local Effort	85%	84%	77%	9% (Tazewell)	221% (Sussex)
Composite Index of Local Ability-to-Pay	0.4500	.3969	.3600	0.1826 (Lee)	0.8000 (9 capped)
Student-Teacher Ratio (Not the same as actual class size)	12.9	12.1	12.1	7.3 (Highland)	16.5 (Prince Wm.)
Dropout Rate	5.4%	5.6%	5.4%	0.0% (Clarke, W. Point)	14.9% (Rockbridge)
Students Eligible for Free/Reduced Lunch	41%	50%	51%	10% (Falls Church)	83% (Petersburg)
Below Min. Benchmark for Phonological Awareness (Fall of Kindergarten)	9%	14%	13%	0% (Highland)	33% (Covington)

\*See Appendix for these same data points for ALL 132 SCHOOL DIVISIONS.



# What does the “average” school division in Virginia look like?

Number of Students  
3,786 - 9,319

Per Student Spending  
\$11,242

Average Teacher Salary  
\$53,830

Percent of Spending Allocated  
Excluded Local Child Care  
85%

Composite Index of Local Ability-to-Pay  
0.4500

Overall Student-Teacher Ratio  
(Not the same as actual class size)  
12.9

Four-Year Cohort Drop-out Rate  
5.4%

Percent of Students  
Eligible for Free/Reduced Lunch  
41%

Below Benchmark for Psychological  
Assessments (Fall of Kindergarten)  
9%

2014 Data



SENATE FINANCE COMMITTEE

# Overview

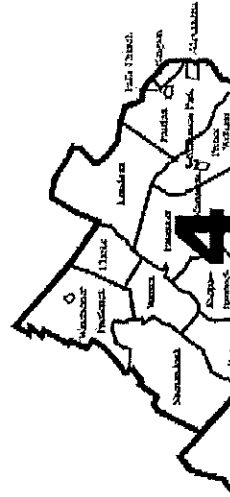
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- Snapshot of key school division data and state outcome indicators
- Funding framework pursuant to Virginia's Constitution
- Trends over last ten years
- Recent actions and looking to 2016-18 biennial budget and beyond



# SENATE OF VIRGINIA

## Senate Finance Committee



## Overview of K-12 Education Funding in Virginia



Map of VDOE Superintendent's Regions

November 20, 2015



SENATE FINANCE COMMITTEE



## **BACKGROUND**

### **ITEM # 11 – 2018 VIRGINIA MUNICIPAL LEAGUE LEGISLATIVE PROGRAM**

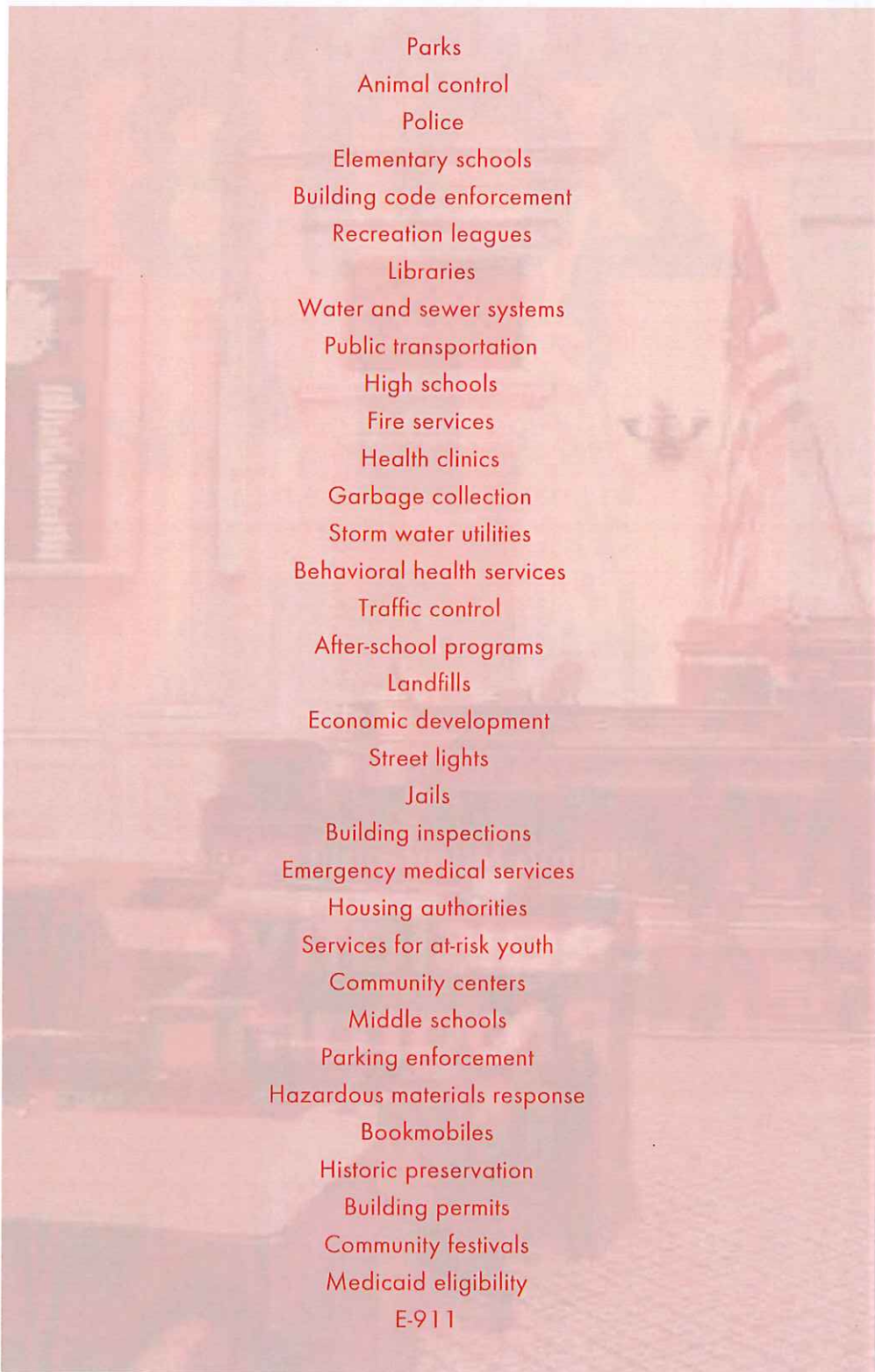
### **ITEM # 11 – 2018 VIRGINIA MUNICIPAL LEAGUE LEGISLATIVE PROGRAM**



# 2018

Virginia Municipal League

## Legislative Program



Parks  
Animal control  
Police  
Elementary schools  
Building code enforcement  
Recreation leagues  
Libraries  
Water and sewer systems  
Public transportation  
High schools  
Fire services  
Health clinics  
Garbage collection  
Storm water utilities  
Behavioral health services  
Traffic control  
After-school programs  
Landfills  
Economic development  
Street lights  
Jails  
Building inspections  
Emergency medical services  
Housing authorities  
Services for at-risk youth  
Community centers  
Middle schools  
Parking enforcement  
Hazardous materials response  
Bookmobiles  
Historic preservation  
Building permits  
Community festivals  
Medicaid eligibility  
E-911

Dear Legislator:

We look forward to working with you during the 2018 session of the General Assembly on the many issues facing the State and its cities, towns, and counties. While our communities are numerous and diverse, we share the understanding of the need for the State and its local governments to work together to ensure a strong, vibrant future.

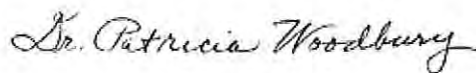
Our legislative priorities and program for the 2018 session are outlined in this brochure. Our priorities remain focused on the relationship between the State and local governments, the fiscal sustainability of Virginia's local governments, and the authority and resources necessary to effectively carry out constitutional and statutory responsibilities.

The Commonwealth relies on local governments to deliver the fundamental services required to ensure healthy communities and a thriving economy. In turn, Virginia's communities need for the Commonwealth to be a steady, reliable partner for our shared responsibilities. We pledge to work with you and the administration to find productive ways to achieve our mutual goals.

Please let us know if we can supply any information or be of assistance to you in the upcoming months.

Thank you for your service to the people of the Commonwealth.

Sincerely,

A handwritten signature in cursive script that reads "Dr. Patricia Woodbury".

Patricia P. Woodbury, Ed. D.  
Newport News Council Member  
VML President



# 2018 VML Legislative Program

The Virginia Municipal League adopted the following legislative program for the 2018 session of the General Assembly.

## Top Legislative Priorities

### State and Local Government Fiscal Relationship

Governance at the local level becomes ever more challenging as the Commonwealth and the Federal government add new programs, or modify existing program guidelines, and promulgate complex regulations and higher standards for local governments to implement. It is not uncommon for the state and federal governments to either underfund their share of the costs or to ignore them altogether.

To that end, the Virginia Municipal League holds as essential these principles on local taxing and budget authority:

- Specific local revenue authority and sources cannot be further restricted without first granting and providing alternative revenue authority with reliable, sustainable revenue sources. This includes, without limitation, the BPOL and M&T taxes.
- Local governments should be involved in any discussions relating to local taxing authority including legislation that exempts specific industries from local taxes and fees.
- Local general fund revenue and special funds cannot be confiscated or re-directed to the state treasury.
- Placing additional administrative burdens on local governments without sufficient resources or administrative flexibility jeopardizes the quality of services delivered at the local level. Local governments cannot be expected to bear the expenses related to the imposition of new funding requirements or the expansion of existing ones on services delivered at the local level without a commensurate increase of state financial assistance or new local taxing authority.
- Shifting traditional state funding responsibilities onto local governments for services including public education, law enforcement, and public safety activities and any core services affecting local government, is bad fiscal policy, resulting in stress on local finances without reductions in overall program costs.
- Imposing state fees, taxes or surcharges on local government services impedes transparency at both the state and local level.



- Any efforts at tax reform must begin with a thorough examination of state tax reform and the financing of state services. The State should reform its own tax structure before taking on the topic of local taxes. State or local tax changes should not negatively affect local revenues.
- State budget cuts to state mandated and other high priority programs should specify the programs to be affected by the cuts.

The Commonwealth should:

- Enter a dialogue with local governments to examine state requirements and service expansions that can be suspended or modified to alleviate to the degree possible the financial burden on state and local taxpayers.
- Examine models in other states that allow for modernizing state and local taxing authority.
- Develop spending and revenue priorities that support economic development, public safety, education and other public goals. State tax credits, tax deductions and tax relief policies must receive the same scrutiny as spending programs as part of the prioritization process.
- In times of revenue crises, review ways to increase revenues to meet constitutional and statutory obligations to Virginia citizens after all other actions have been taken.
- Include local government representatives on any “blue ribbon” commission or other body established by the state that has as its purpose changes to local revenue authority or governance.

## ✓ Education Funding

A strong public school system is essential to economic development and prosperity. The state must be a reliable funding partner in accordance with the Virginia Constitution and state statutes. The Standards of Quality should recognize the resources, including positions, required for a high-quality public education system. VML opposes changes in methodology and changes in the division of financial responsibility that result in a shift of funding responsibility from the state to localities.

Further, VML opposes policies that lower state contributions but do nothing to address the cost of meeting the requirements of the Standards of Accreditation and Standards of Learning.

Any approach to improving low-performing schools must include adequate state financial support. VML supports increased state funding for the Virginia Preschool Initiative, the K-3 reduced class size program and Early Reading Intervention program. VML also supports increased state stipends for highly effective teachers in high-poverty schools, and other innovative programs for teachers and students.

## **State Assistance to Local Police Departments (HB 599)**

Almost 70 percent of Virginians live in communities served by police departments. The state created a program of financial assistance to local police departments (HB599) when it imposed an annexation moratorium on cities more than 30 years ago. It has increasingly de-emphasized this funding obligation as a priority but has never compromised on the annexation moratorium. VML calls for the state to honor its commitment to local governments and public safety by funding the program as stipulated in the Code of Virginia.

## **Other Legislative Positions**

(listed in alphabetical order)

### **Communications Sales and Use Tax**

The Virginia Communication Sales and Use Tax was enacted to establish a statewide tax rate and to pre-empt local taxes on communication sales and services. VML supports setting the tax rate at the same level as the state sales tax rate, and broadening the coverage of the tax to include audio and video streaming services and prepaid calling services.

### **Community Solar**

VML supports legislation that would allow for greater flexibility for community-owned solar facilities. VML supports the protection of current net metering compensation.

### **Full Funding for Virginia State Parks**

VML supports full funding for Virginia State Parks, and supports what is needed to adequately maintain and operate current facilities, infrastructure, and authorized future construction, as detailed in the Virginia Association for Parks' Needs Assessment.

### **Incentives for In-Fill Development/Tax Abatement**

VML supports allowing local governments greater flexibility in creating incentives for in-fill development, including tax abatement for properties that do not have derelict structures.

### **Landscape Materials**

VML supports the ability of localities to regulate the use of specific landscape cover materials or the retrofit of existing landscape cover materials for the health, safety, and welfare of their citizens.



## **Marijuana Decriminalization**

VML supports a change to the Code of Virginia to make anyone found to be in the simple possession of no more than 0.5 oz. of marijuana for personal use subject to a civil rather than criminal penalty. Individuals under 21 years of age found to be in possession should still be required to undergo drug screening and participation in a treatment or education program as a condition of the suspension of a conviction if appropriate.

## **Medical Use of Marijuana**

VML supports the expansion of an affirmative defense to prosecution for the possession or distribution of marijuana if a person has a valid written certification issued by a practitioner licensed by the Virginia Board of Medicine to prescribe cannabidiol oil or THC-A oil for the treatment of, or to alleviate the symptoms of, cancer, glaucoma, HIV, AIDS, ALS, MS, PTSD, traumatic brain injury, and other chronic or terminal conditions.

## **Price Floor for Regional Gas Taxes**

VML supports an amendment to Virginia Code §58.1-2295 that would establish a protective floor price for the 2.1 percent regional gas tax, such as was done for the statewide fuels tax in §58.1-2217. Such a floor concept is essential to provide a more stable, dedicated revenue source needed for long-term financing of regional projects.

## **Public Transit Funding**

VML supports increased federal and state funding for public transit; policies that allow for the equitable distribution of such funding; and dedicated sources for such funding, all to avoid the impending fiscal cliff in 2019.

## **Regional Greenhouse Gas Initiative and Commonwealth Resilience Fund**

VML urges the General Assembly to address greenhouse gas emissions targets through the Regional Greenhouse Gas Initiative (RGGI) or carbon credit auctions. All proceeds derived from the auction of credits should be used to establish the “Commonwealth Resilience Fund,” a special state-dedicated fund to assist localities in addressing flooding, energy efficiency improvements, and economic development.

## **Retain Local Land Use Authority in Implementation of Wireless Technology**

VML supports the implementation of new wireless technology for all localities and providing service to all residents of the Commonwealth. Localities must retain the ability to exercise current land use authority in the implementation of new wireless technology. Local rights-of-way are public property and proper local management

and maintenance are essential to ensure public safety, to protect the integrity of the property, to guarantee the safety of workers and maintain efficient transportation.

## **School Capital Funding Pilot Program**

Local governments pay the majority of public school capital costs. Communities struggle to balance financing the infrastructure and operational costs for 21st century learning environments with other public infrastructure and service needs. The Literary Fund long ago lost its capacity as a viable financing option for most communities' school capital costs. VML supports new avenues for funding public school construction and renovation costs, including the creation of a pilot program of competitive grants using funds from the Virginia Public Building Authority to offset new construction or renovation costs for publicly owned and operated K-12 schools.

## **Statewide Taxing Authority for Transit Capital Needs**

Public transportation is critical to the economy and quality of life of all Virginians. VML supports legislation that would allow localities to adopt additional regional or local taxes to provide needed capital funds.

## **Stormwater Local Assistance Fund**

VML supports continued investment in the Stormwater Local Assistance Fund to assist localities with much-needed stormwater projects to meet federal and state clean-water requirements.

## **Taxing, Licensing, and Registering Internet-based Businesses and Services**

In taking state action to regulate private enterprises employing a business model that emphasizes the use of the Internet to either provide retail or facilitate lodging or ride-sharing services, local government interests should be acknowledged and localities should be included in the decision-making. As general principles, VML believes state and local policies should (1) encourage a level playing field for competing services in the marketplace; (2) seek to preserve and/or replace local and state tax revenues; (3) ensure safety, reliability, and access for consumers, providers, and the public; and (4) protect local government's ability to regulate businesses whether they are traditional, electronic, Internet-based, virtual or otherwise.

## **Transition of the Commonwealth of Virginia to Next Generation 911**

VML supports the Statewide Transition to Next Generation 911 using the state funds that will be dedicated by the 911 Services Board; this should not be an unfunded mandate for which localities become accountable.



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Council Member,  
City of Newport News



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Street maintenance  
Public health  
Neighborhood preservation  
Recycling  
Animal shelters  
Cable television franchises  
Sidewalks  
Voter registration  
Child protective services  
Courts  
Zoning enforcement  
Farmers' markets  
Engineering  
Consumer protection  
Green Government  
Street sweeping  
Social services  
Industrial development  
Paratransit  
Fire marshal  
Electric utilities  
Comprehensive planning  
Senior citizen programs  
Community development  
Main Streets  
Kindergarten  
Elections administration  
Adult protective services  
Welfare administration  
Juvenile detention  
County fairs  
Natural gas utilities  
Airports  
Citizen boards and commissions

## About VML

The Virginia Municipal League is a statewide, nonprofit, nonpartisan association of city, town and county governments established in 1905 to improve and assist local governments through legislative advocacy, research, education and other services. The membership includes all 38 cities in the state, 160 towns and 6 counties.



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